1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards and principles contained in Directive 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009.

The Accounting Framework of the municipality, based on the preceding paragraphs and applicable to the operations of the municipality, defined as Generally Recognised Accounting Practice ("GRAP"), comprises the approved and effective standards of GRAP, together with certain statements of International Public Sector Accounting Standards ("IPSASs"), as well as International Financial Reporting Standards ("IFRS"), comprising International Accounting Standards ("IAS"), in cases where a relevant standard of GRAP has not been issued. The standards therefore applicable to these financial statements, are therefore:"

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2008, the municipality complied with the three effective GRAP standards, the eight effective GAMAP standards, all relevant GAAP Standards and all relevant exemptions as set out in Government Gazette 30013, as at that date.

For the year ended 30 June 2009, the municipality has adopted the accounting framework as set out in point 1 above. The details of comparative restatements are set out in the notes that follow.

The municipality changes an accounting policy only if the change:

a) is required by a Standard of GRAP; or

b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above) . In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories, is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3, 4 & 5, the municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.2.6 Defined Benefit Plan Liabilities

Multi-employer defined benefit funds are accounted for as defined contribution funds as set out in note 13.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components

of assets that are significant in relation to the whole asset and that have different useful lives, are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Details	**Years**
Infrastructure	
Roads	10 – 120
Electricity	5 – 100
Storm Water	10 – 50
Solid Waste Disposal	10 – 50
Community	
Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 5
Furniture and Fittings	7 – 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.9 Impairment of assets

3.9.1 Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10 Transitional Provision

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GAMAP 17 as these requirements were exempted in terms of General Notice 522 of 2007. The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2009 (and retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 3.

The municipality did not perform impairment testing on its cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of cash generating assets has been performed for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 36/AC128 and GRAP 3.

The municipality did not perform impairment testing on its non-cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of non-cash generating assets has been performed for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of IPSAS 21.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non–monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.4 Transitional Provisions

Costs incurred on intangible assets (other than on computer software, websites and the valuation roll) were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. The municipality accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 3.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Transitional Provisions

Investment properties were recognised in terms of IAS 40 and subsequently measured in accordance with the cost model, but the fair values were not disclosed in the previous financial year as required by IAS 40 as this requirement was exempted in terms of General Notice 522 of 2007. The fair values of investment

properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2009 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 3.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors (see note 17)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	**Classification in terms of IAS 39.09**
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Available for sale investments
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 7)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured as:

- Fair value through profit or loss; or
- Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Fair Value* and *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

6.3.2 Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

6.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is

reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

6.7 Transitional Provisions

Financial Assets and Liabilities and the information relating thereto were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of the new IAS 32 and IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Financial Assets and Liabilities and the information relating thereto are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of the new version of IAS 32 and IFRS 7 and GRAP 3.

Financial instruments were initially measured at cost and not at fair value in the previous financial year as required by IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 as this requirement was exempted in terms of General Notice 522 of 2007. Financial instruments are now initially measured at fair value for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 39.43, IAS 39 AG.64, IAS 39 AG.65, IAS 39 AG.79, SAICA Circular 9 and GRAP 3.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

7.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

7.2 Liquidity Risk

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note XX.Y to the annual financial statements.

Risk management of Financial Assets and Liabilities were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Risk management of Financial Assets and Liabilities are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IFRS 7 and GRAP 3.

8. INVENTORIES

8.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8.3 Transitional Provisions

Although the recognition of immovable capital assets, that meet the definition and recognition criteria of inventory, as inventories in accordance with the requirements of GAMAP 12 was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the recognition of immovable capital assets, that meet the definition and recognition criteria of inventory, as inventories in the previous financial year. Immovable capital assets that meet the definition and recognition criteria of inventory continued to be recognised as inventories for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 12 and ASB Directive 3.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

9.3 Transitional Provisions

The municipality accounted for the disposal of Non-current assets and Disposal Groups in the previous financial year in accordance with the requirements of GAMAP 17, IAS 38, IAS 40 or IAS 41, as appropriate, and not in accordance with the requirements of IFRS 5 as these requirements were exempted in terms of General Notice 522 of 2007. Accounted for the disposal of Non-current assets and Disposal Groups for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of GRAP 100 and ASB Directive 3.

10. REVENUE RECOGNITION

10.1 General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.2.6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.2.7 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10.4 Transitional Provisions

Revenue was initially recognised at cost and not at fair value in the previous financial year as the requirements of GAMAP 9.12 and SAICA circular 09/2006, which states that revenue should be recognised initially at fair value through discounting all future receipts using an imputed rate of return, have been exempted in terms of General Notice 522 of 2007. Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 SAICA circular 09/2006.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

The municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate, and not in accordance with the requirements of the entire IAS 20 as these requirements, other than IAS 20.24 and .26, were exempted in terms of General Notice 522 of 2007. The municipality accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 - .46 and ASB Directives 3 and 5.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

13.3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13.3.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The defined benefit fund was last actuarially valued during the reporting period ending 30 June 2006.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment hereof is made in the course of the municipality's normal budgeting processes."

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.3.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

13.3.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

14. LEASES

14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15. BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qulaifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

17. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Although the retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the retrospective application, where practicable, of changes in accounting policies affected by management in the previous financial year. The municipality continued to apply changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. The municipality continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

KWADUKUZA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MOS ZUNGU **Date**
MUNICIPAL MANAGER

KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net assets		**783 481 246**	**637 774 160**
Housing operating account	1	8 728 157	11 474 164
Accumulated surplus		774 753 089	626 299 996
Non-current liabilities		**138 704 659**	**148 761 396**
Long-term liabilities	2	82 875 294	98 620 525
Non-current provisions	3	17 143 019	17 192 042
Retirement benefits	4.2	32 579 955	26 034 064
Long service awards and retirement gifts	4.3	5 985 987	6 673 827
Non-current lease liability	40	120 404	240 938
Current liabilities		**139 148 574**	**109 727 198**
Deposits	5	14 841 134	12 822 539
Provisions	6	4 826 644	-
Creditors	7	87 042 357	83 210 538
Unspent conditional grants and receipts	8	7 198 345	8 352 264
Current portion of long-term liabilities	2	25 021 497	5 094 793
Current portion of lease liability	40	218 597	247 064
Total Net Assets and Liabilities		***1 061 334 479***	***896 262 754***
ASSETS			
Non-current assets		**741 623 567**	**664 381 746**
Property, plant and equipment	10	622 761 504	536 585 207
Intangible assets	11	12 696 980	13 312 671
Investment properties	12	64 245 000	60 255 000
Investments	13	40 164 624	54 192 051
Long-term receivables	14	1 755 459	36 817
Current assets		**319 710 912**	**231 881 008**
Inventories	15	3 818 049	2 768 437
Consumer debtors	16	110 046 689	83 323 685
Other debtors	17	21 246 477	12 035 582
Value added taxation	9	3 739 439	2 312 975
Current portion of long-term receivables	14	5 055	59 325
Call investment deposits	18	140 416 802	83 076 358
Bank balances and cash	19	40 438 401	48 304 646
Total Assets		***1 061 334 479***	***896 262 754***

KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009	2008
REVENUE		**R**	**R**
Property rates	20	159 776 130	140 494 430
Property rates - penalties imposed and collection charges		10 750 227	7 101 461
Service charges	21	226 816 792	175 391 541
Rental of facilities and equipment		1 154 905	1 154 453
Interest earned investments		18 464 780	13 992 398
Interest earned outstanding debtors		2 555 290	1 983 407
Fines		2 500 904	3 135 979
Licences and permits		5 353 158	4 622 606
Government grants and subsidies	22	81 901 475	65 863 794
Public donations	10	30 256 762	-
Other income	28	32 046 430	13 906 164
Gain on disposal of property, plant and equipment		383 842	3 684 798
Retirement and long services benefits	4	821 331	-
Revaluation of investment properties	12	3 990 000	-
Total Revenue		**576 772 026**	**431 331 031**
EXPENDITURE			
Employee related costs	23	112 389 378	96 906 680
Remuneration of councillors	24	9 261 702	7 934 204
Collection costs		2 356 490	1 985 801
Ammortisation	11	917 766	690 160
Depreciation	10	27 877 702	23 829 860
Repairs and maintenance		37 802 598	29 104 436
Finance costs	25	13 419 874	13 836 169
Bulk purchases	26	133 890 106	98 765 960
Contracted services		19 157 300	14 767 798
Retirement and long services benefits	4	6 681 783	3 594 256
General expenses	27	82 735 610	69 801 839
Adjustments to provisions		1 500 966	(3 590 009)
Adjustments to non-current provisions	3	4 777 622	-
Bad debts written off	16	-	21 697 614
Revaluation of investment properties	12	-	8 116 000
Loss on disposal of assets		1 511 243	-
Impairment loss on assets	10	5 146 011	-
Scrapping loss on assets	10	1 190 038	-
Less: Recharges		(25 907 336)	(26 754 434)
Total Expenditure		**434 708 853**	**360 686 334**
SURPLUS FOR THE YEAR		**142 063 173**	**70 644 697**

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2009

	Housing Operating Account R	Accumulated Surplus R	Total R
2007/08			
Balance as previously reported as at 30 June 2007	23 207 332	453 620 523	476 827 855
Correction of errors - Property, plant and equipment (Note 36)	-	85 179 050	85 179 050
Correction of errors - straight lining of operating lease receivables (Note 36)	-	1 410 215	1 410 215
Correction of errors - accrual of building plan fees (Note 36)	-	(2 538 041)	(2 538 041)
Correction of errors - VAT restatement of the provision (Note 36)	-	1 351 327	1 351 327
Correction of errors - recognition of leased assets (Note 36)	0	53 808	53 808
Restated balance at 30 June 2007	23 207 332	539 076 882	562 284 214
Surplus for the year - restated (Note 36)	-	70 644 697	70 644 697
Prior year adjustments	-	616 865	616 865
Protea Park debtors not previously accounted for	1 042 543	-	1 042 543
Project expenditure allocated	(1 514 019)	-	(1 514 019)
Reallocation of project expenditure	1 698 069	-	1 698 069
Transactions processed through Housing Operating Account - Housing Agency Accounts	2 843 662	-	2 843 662
Transfer to Housing Operating Account - Deficit on housing activities	(15 803 423)	15 803 423	-
Correction of errors - Finance Leases (Note 36)	-	(1 466)	(1 466)
Correction of errors - Straight lining of operating lease receivables (Note 36)	-	182 431	182 431
Correction of errors - Property, plant and equipment (Note 36)	-	(5 761)	(5 761)
Hall Hire Prepaid Expenses	-	(17 075)	(17 075)
Balance restated at 30 June 2008	**11 474 164**	**626 299 996**	**637 774 160**
2008/09			
Surplus for the year	-	142 063 173	142 063 173
Prior year adjustments	-	(281 285)	(281 285)
Prior year adjustments - Property, plant and equipment		1 356 799	1 356 799
Prior year adjustments - Golden Golf Entertainment		(9 883)	(9 883)
Reallocation of electricity insurance		(292 018)	(292 018)
Migration of Balances from Venus		(756 603)	(756 603)
Cancellation of land sales recognised in prior years	(62 650)		(62 650)
Housing inventory not recognized in prior years	269 066		269 066
Depreciation previously not raised	(2 952 423)	-	(2 952 423)
Prospective restated of assets previously not recognised		6 372 910	6 372 910
Balance at 30 June 2009	**8 728 157**	**774 753 089**	**783 481 246**

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		509 308 809	390 144 549
Cash paid to suppliers and employees		(397 886 670)	(319 461 984)
Cash generated from / (utilised by) operations	30	111 422 139	70 682 565
Interest received		18 464 780	13 992 398
Finance costs		(13 419 874)	(13 836 169)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**116 467 045**	**70 838 794**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(85 084 788)	(59 904 856)
Purchase of intangible assets		(416 911)	(138 856)
Proceeds on disposal of property, plant and equipment and investment property		-	5 297 913
Decrease/(Increase) in non-current receivables		(1 718 642)	209 566
Increase in non-current investments		14 027 427	(14 170 211)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(73 192 914)**	**(68 706 444)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		9 519 558	7 933 397
Loans repaid		(5 338 085)	(4 644 059)
Increase in consumer deposits		2 018 595	1 620 890
NET CASH FLOWS FROM FINANCING ACTIVITIES		**6 200 068**	**4 910 228**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**49 474 199**	**7 042 578**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**131 381 004**	**124 338 426**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	**180 855 203**	**131 381 004**

		2009 R	2008 R
1.	**HOUSING OPERATING ACCOUNT**		
	Housing Operating Account	**8 728 157**	**11 474 164**
	The Housing Development Fund is represented by the following assets and liabilities:		
	Fixed Assets	4 294 430	7 515 254
	Housing Inventory	514 847	245 781
	Debtors	1 981 995	147 264
	Debtors: Department of Housing	3 469 675	1 893 175
	Cash and cash equivalents	5 942 106	12 815 421
	Agency account creditors	(7 474 896)	(10 767 295)
	Creditors	-	(375 436)
	Total Housing Operating Account Assets and Liabilities	**8 728 157**	**11 474 164**
2.	**LONG-TERM LIABILITIES**		
	Local Registered Stock Loans	35 978 486	36 006 000
	Non Annuity Loans	64 554 408	59 896 663
	Annuity Loans	7 363 897	7 812 655
	Sub-total	107 896 791	103 715 318
	Less: Current portion transferred to current liabilities	25 021 497	5 094 793
	Local Registered Stock Loans	18 972 486	-
	Non Annuity Loans	3 577 423	3 187 022
	Annuity Loans	2 471 588	1 907 771
	Total External Loans	**82 875 294**	**98 620 525**

Refer to Appendix A for more detail on long-term liabilities.

Local registered stock
Bear interest at rates between 14,3% and 17% per annum and are repayable over periods between one and two years.

Annuity loans
Bear interest at rates between 12% and 18% per annum, are being redeemed in quarterly installments, including interest, over varying periods until 2017.

Security - investments
The long term liabilities for local registered stock and one non annuity loan are secured by zero coupon investments which are guaranteed to earn sufficient investment revenue over the period of the loans which will redeem them at maturity.

Non Annuity Loans - Bank Loans
Bear interest at Base rate plus 2.7% and 11.63% are being redeemed in bi-annual and monthly installments, including interest, over varying periods until 2025.

Non Annuity Loans - Security Investments
Bear interest at 16% per annum and is repayable in two years.

3.	**NON-CURRENT PROVISIONS**		
	Provision for the eradication of alien vegetation	13 358 680	10 229 297
	Provision for the rehabiliation of the landfill site	8 610 983	6 962 745
	Sub-total	21 969 663	17 192 042
	Less: Current portion transferred to current liabilities	4 826 644	-
	Provision for the eradication of alien vegetation	2 571 564	-
	Provision for the rehabiliation of the landfill site	2 255 080	-
	Total Non-Current Provisions	**17 143 019**	**17 192 042**

	2009 R	2008 R

3 NON-CURRENT PROVISIONS (continued)

The movement in non-current provisions are reconciled as follows:

Eradication of alien vegetation

Balance at beginning of year	10 229 297	3 500 000
Contributions to provision	3 129 383	6 729 297
Payments made	-	-
Balance at end of year	**13 358 680**	**10 229 297**

The provision created is for cost of eradication of alien vegetation in respect of the municipality's obligation to clear all municipal land of invasive alien plants and to enforce private property owners to do the same.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2009/2010 operating budget over a period of five (5) years.

The provision reflects a total of R13 358 680 expenditure discounted at a rate of 9.90% pa (2008:14.75%).

Landfill site rehabilitation

Balance at beginning of year	6 962 745	6 067 752
Contributions to provision	1 648 238	894 993
Payments made	-	-
Balance at end of year	**8 610 983**	**6 962 745**

The provision created for the rehabilitation of the landfill site is based on managements assessment of the rehabiliation costs of the Shakaville dumpsite. A study will be done to determine the cost estimate in the near future.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2009/2010 operating budget over a period of two (2) years.

The provision reflects a total of R8 610 983 expenditure discounted at a rate of 9.90% pa (2008:14.75%).

4. RETIREMENT BENEFITS

4.1 Pension benefits

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement).

The independent valuer carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2006 interim has been completed). No valuation was performed in 2009.

Superannuation

An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2006. The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by:	121 700 000	121 700 000
made up as follows:		
For service to 31 March 2006		
for pensioners - surplus funding level 119.4%	210 000 000	210 000 000
for members - deficit funding level 95.0%	(88 300 000)	(88 300 000)
attributable to salary increases being higher than expected of	49 000 000	49 000 000

The fund did not hold an Investment Reserve at 31 March 2006.

	2009 R	2008 R
4. RETIREMENT BENEFITS (continued)		
For service after 31 March 2006		
The total contribution rate payable (excluding the surcharge) exceeded that required for future service by 1.4% (2005 : 1.0%) of pensionable emoluments, or per year	49 000 000	49 000 000
Conclusion		
The funding level of the Fund improved over the valuation period. The actuary is satisfied that the self-reinsurance arrangement is appropriate for the Fund; the asset composition of the Fund is appropriate to the nature of the liabilities;		
the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits:		
If his recommendation of an additional surcharge of Total 6% of members' pensionable emoluments is retained (accepted) by the General Committee at the forthcoming Annual General Meeting, the deficit will be eliminated within 2 years.	3%	3%
A recent study undertaken of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds,		
A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
However, once the deficit in the Fund has been met the excess contributions will meet the increased cost resulting from A I D S for the foreseeable future. It is therefore not necessary at this stage to adjust either the benefits or the contributions.		
Provident Fund		
The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2006 were that the net market value of the Fund's assets were sufficient to fully cover the members' share account and to provide total reserves of;	46 638 000	46 638 000
The total interim rate of bonus credited over the year to members was compound	46%	46%
A further bonus to all members at 30 September 2006 has been approved by the Committee of Management of	3%	3%
Subsequent to the year end, a final bonus to all members at 30 September 2006 has been approved by the Committee of Management of	5%	5%
The actual cost of death benefits and expenses was less than the 3.75% of pensionable emoluments available to meet the same and it is recommended that death benefits be further reduced with effect from 01 July 2005 based on the pre-July 2004 level to	0%	0%
The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2006.		
Retirement Fund		
The salient features of the Statutory (Interim) valuation of the fund at 31 March 2006 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by	(140 900 000)	(140 900 000)
made up as follows:		
For service to 31 March 2006		
for pensioners - funding level 116.2%	63 400 000	63 400 000
for members - funding level 73.0%	(204 300 000)	(204 300 000)
The fund was thus funded	88%	88%
The fund did not hold an Investment Reserve.		
For service after 31 March 2006		

	2009 R	2008 R
The total contribution rate payable, including the total surcharge of 14% payable by and on behalf of pre 01 July 2002 members and by employers, exceeded that required for future service of members' pensionable emoluments of	11%	11%
Conclusion		
The funding level is	88%	88%
The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits		
A study undertaken in 2002 of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
The matter will be addressed again at a future date.		

4.2 Post-employment medical benefits

The municipality operates on 3 accredited medical aid schemes, namely Bonitas, NMMAF and Sanitas.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9%	11%
Health care cost inflation rate	8%	10%
Net effective discount rate	1%	1%
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Mortality post-retirement	PA90-1 ultimate	PA90-1 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	0%	0%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	**32 579 955**	**26 034 064**
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	26 034 064	24 069 482
Current service cost	933 074	886 196
Interest cost	2 785 878	1 925 558
Benefit payments	(838 726)	(681 091)
Actuarial (gains)/losses	3 665 665	(166 081)
Balance at end of year	**32 579 955**	**26 034 064**
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	933 074	886 196
Interest cost	2 785 879	1 925 559
Benefit payments	(838 726)	(681 091)
Actuarial (gains)/losses	3 665 665	(166 081)
Total, included in employee benefits expense (Note 24)	**6 545 892**	**1 964 583**

	2009 R	2008 R

4. RETIREMENT BENEFITS (Continued)

4.3 Long service awards

The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9%	11%
General Salary Inflation (long term)	7%	9%
Retirement Gift Inflation (long term)	8%	8%
Net effective discount rate	2%	2%
Examples of mortality rates used were as follows:		
Average retirement age	63 years	63 years
Mortality during employment	SA85-90 Ultimate	SA85-90 Ultimate
Members withdrawn from service:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	15%	15%
Age 50	4%	4%
Age 55	0%	0%

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	5 985 987	6 673 827
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	**5 985 987**	**6 673 827**

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	6 673 827	5 084 819
Current service cost	568 783	416 447
Interest cost	703 394	406 786
Actuarial (Gain)/losses	(1529 610)	1 461 112
Benefit payments	(430 407)	(695 337)
Balance at end of year	**5 985 987**	**6 673 827**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	568 783	416 447
Interest cost	703 394	406 786
Actuarial (Gain)/losses	(1529 611)	1 461 112
Benefit payments	(430 406)	(695 337)
Total, included in employee benefits expense (Note 23)	**(687 840)**	**1 589 008**

In conclusion:

Statement of Financial Position obligation for:		
Post-employment medical benefits	32 579 955	26 034 064
Long Service Award	5 985 987	6 673 827
	38 565 942	**32 707 891**
Statement of Financial Performance obligation for:		
Post-employment medical benefits loss	6 545 892	1 964 583
Long Service Award loss	133 491	1 589 008
	6 679 383	**3 553 591**
Additional retirement costs	2 400	40 665
	6 681 783	**3 594 256**
Long service award gain	**821 331**	**-**

5. DEPOSITS

Electricity	14 841 134	12 822 539
Guarantees held in lieu of electricity deposits	2 179 970	2 060 779

		2009 R	2008 R
6.	**PROVISIONS**		
	Eradication of alien vegetation - current portion	2 571 564	-
	Rehabiliation of the landfill site - current portion	2 255 080	-
		4 826 644	**-**
7.	**CREDITORS**		
	Trade creditors	26 577 678	26 133 670
	Payments received in advance	15 504 973	5 306 016
	Deposits - other	23 277 683	2 366 816
	Staff leave	5 175 552	5 459 859
	Other creditors	16 506 471	43 944 177
	Total Creditors	**87 042 357**	**83 210 538**
8.	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
	Conditional Grants from other spheres of Government		
	Municipal Infrastructure Grant	323 730	3 296 612
	Financial Management Grant	491 772	391 355
	Interdepartmental Monitoring Systems	40 000	40 000
	Land Use Management Systems	332 000	322 000
	Municipal Systems Improvement Grant	1 450 145	-
	New Library	41 323	-
	Admin Capacity	100 000	100 000
	Local Economic Development	-	123 251
	Community Development Workers	16 351	16 351
	Property Rates Implementation	133 000	133 000
	Development Bank of South Africa	262 774	262 774
	Department of Sports and Recreation	-	325 000
	CDB Revitalization	129 233	1 000 000
	Agricultural	5 770	3 731
	King Shaka	1 502 646	338 190
	Municipal Assistance Programme	2 205 358	2 000 000
	Ramasar Relief Fund	37 943	-
	Disaster Relief Fund - Storm 28.02.2009	2 150	-
	Department of Agriculture	100 000	-
	Health: SAPPI	24 150	-
	Total Conditional Grants and Receipts	**7 198 345**	**8 352 264**
	See note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		
9.	**VALUE ADDED TAXATION**	**3 739 439**	**2 312 975**
	VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS		
	The comparative has been restated - refer to the correction of error note 36		

10. PROPERTY, PLANT & EQUIPMENT

30 June 2009

Reconciliation of Carrying Value	Properties	Community	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Other Assets	Developed Land	Undeveloped Land	Housing	Infrastructure Water and Sanitation	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R				R	R	R	R	R
Carrying Values at 30 June 2008	**-**	**17 174 498**	**27 970 506**	**72 002 893**	**89 809 390**	**176 154 664**	**6 241 985**	**12 787 013**	**27 108 823**	**75 982 700**	**4 562 831**	**-**	**435 662**	**26 354 242**	**536 585 207**
Cost	-	27 010 495	35 102 862	151 826 149	107 100 785	274 781 371	10 507 839	16 150 764	27 218 900	75 982 700	8 052 000	-	1 059 056	26 354 242	761 147 163
Accumulated depreciation	-	(9 835 997)	(7 132 356)	(79 823 256)	(17 291 395)	(98 626 707)	(4 265 854)	(3 363 751)	(110 077)	-	(3 489 169)	-	(623 394)	-	(224 561 956)
Acquisitions	-	21 736 162	819 991	26 878 077	4 276 567	19 735 359	4 832 256	5 745 750	-	-	-	-	71 991	-	84 096 153
Capital under construction brought into use	-	2 923 543		12 270 184	-	10 506 467		-	-	-	-	-		(25 700 194)	-
Capital under construction	-	-	-	-	-	-	-	-	-	-	-	-	-	1 060 626	1 060 626
Maintenance written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets Donated	-	-	-	-	-	30 256 762	-	-	-	-	-	-	-	-	30 256 762
Assets Previously not recognised	-	-	876 830	-	-	-	5 496 082	-	-	-	-	-	-	-	6 372 912
Assets written off	-	-	-	(422 689)	-	(652 512)	-	-	-	-	-	-	-	-	(1 075 201)
Cost	-	-	-	(460 837)	-	(1 082 223)	-	-	-	-	-	-	-	-	(1 543 060)
Accumulated Depreciation	-	-	-	38 148	-	429 711	-	-	-	-	-	-	-	-	467 859
Impairment	-	(197 739)	-	(2 865 703)	-	(776 103)	-	(324 600)	(227 866)	(754 000)	-	-	-	-	(5 146 011)
Depreciation	-	(710 796)	(4 272 373)	(5 553 958)	(3 573 246)	(9 530 335)	(2 970 318)	(715 711)	(66 437)	-	(268 400)	-	(216 128)	-	(27 877 702)
Carrying Value of disposals	-	-	(593 449)	-	-	-	(804 793)	-	-	(113 000)	-	-	-	-	(1 511 242)
Cost	-	(6 962 745)	(1 598 904)	-	-	-	(2 079 631)	-	-	(113 000)	-	-	-	-	(10 754 280)
Accumulated depreciation	-	6 962 745	1 005 455	-	-	-	1 274 838	-	-	-	-	-	-	-	9 243 038
Carrying Values at 30 June 2008	**-**	**40 925 668**	**24 801 505**	**102 308 804**	**90 512 711**	**225 694 302**	**12 795 212**	**17 492 452**	**26 814 520**	**75 115 700**	**4 294 431**	**-**	**291 525**	**1 714 674**	**622 761 504**
Cost	-	44 707 455	35 200 779	190 513 573	111 377 352	334 197 736	18 756 546	21 896 514	27 218 900	75 869 700	8 052 000	-	1 131 047	1 714 674	870 636 276
Accumulated depreciation	-	(3 781 787)	(10 399 274)	(88 204 769)	(20 864 641)	(108 503 434)	(5 961 334)	(4 404 062)	(404 380)	(754 000)	(3 757 569)	-	(839 522)	-	(247 874 772)

The assets donated of R30 256 762 reflected as public donations on the statement of financial performance relate to the electricity infrastructure assets previously not recorded on the asset register.

30 June 2008 - restated

Reconciliation of Carrying Value	Properties	Community	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Other Assets	Developed Land	Undeveloped Land	Housing	Infrastructure Water and Sanitation	Leased assets	Under Construction	Total
	R	R	R	R	R								R	R	R
Carrying Values at 1 July 2007	**48 120 353**	**5 497 150**	**16 597 879**	**49 305 033**	**91 966 665**	**193 687 274**	**5 759 375**	**-**	**-**	**-**	**7 783 627**	**-**	**474 823**	**10 227 485**	**429 419 664**
Cost	49 739 300	11 964 227	23 590 061	124 205 804	105 680 813	289 309 891	9 013 821	-	-	-	8 052 000	-	904 418	10 227 485	632 687 820
Accumulated depreciation	(1 618 947)	(6 467 077)	(6 992 182)	(74 900 771)	(13 714 148)	(95 622 617)	(3 254 446)	-	-	-	(268 373)	-	(429 595)	-	(203 268 156)
Correction of error previously not recognised	-	4 389 472	-	13 863 817	336 303	-	(30 982)	4 725 539	14 306 760	51 039 000	-	-	-	-	88 629 909
Cost	-	5 800 000	-	14 013 898	375 903	-	(39 679)	6 348 000	14 350 400	51 039 000	-	-	-	-	91 887 522
Accumulated depreciation	-	(1 410 528)	-	(150 081)	(39 600)	-	8 697	(1 622 461)	(43 640)	-	-	-	-	-	(3 257 613)
Correction of error Additions, Disposals, Transfer to Intangible Assets	-	(2 284)	-	-	-	(12 218 436)	(803 132)	-	-	-	-	-			(13 023 852)
Cost	-	(2 284)	-	-	-	(18 533 606)	(947 665)	-	-	-	-	-	-	-	(19 483 555)
Accumulated depreciation	-	-	-	-	-	6 315 170	144 533	-	-	-	-	-	-	-	6 459 703
Correction of error Reclassification	(48 120 353)	178 860	-	(83 629)	72 000	1 215 776	(328 323)	9 033 469	12 868 500	24 943 700	-	220 000	-	-	-
Cost	(49 739 300)	669 313	-	(56 644)	72 000	1 250 944	(481 618)	10 253 105	12 868 500	24 943 700	-	220 000	-	-	-
Accumulated depreciation	1 618 947	(490 453)	-	(26 985)	-	(35 168)	153 295	(1 219 636)	-	-	-	-	-	-	-
Correction of error Assets previously not depreciated	-	-	-	-	-	-	-	-	-	-	(2 952 396)	-	-	-	(2 952 396)
Cost	-	-	-	-	-	-	-	-	-	-		-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(2 952 396)	-	-	-	(2 952 396)
Restated Carrying Values at 1 July 2007	-	10 063 198	16 597 879	63 085 221	92 374 968	182 684 614	4 596 938	13 759 008	27 175 260	75 982 700	4 831 231	220 000	474 823	10 227 485	502 073 325
Cost	-	18 431 256	23 590 061	138 163 058	106 128 716	272 027 229	7 544 859	16 601 105	27 218 900	75 982 700	8 052 000	220 000	904 418	10 227 485	705 091 787
Accumulated depreciation	-	(8 368 058)	(6 992 182)	(75 077 837)	(13 753 748)	(89 342 615)	(2 947 921)	(2 842 097)	(43 640)	-	(3 220 769)	-	(429 595)	-	(203 018 462)
Acquisitions	-	5 692 817	13 741 170	6 858 008	972 069	2 754 142	3 360 883	518 659	-	-	-	-	154 638	-	34 052 386
Capital under construction	-	-	-	-	-	-	-	-	-	-	-	-	-	25 852 471	25 852 471
Capital under construction	-	2 886 422	-	6 805 083	-	-	34 209	-	-	-	-	-	-	(9 725 714)	-
															-
Depreciation	-	(1 467 939)	(2 368 543)	(4 745 419)	(3 537 647)	(9 284 092)	(1 317 933)	(579 651)	(66 437)	-	(268 400)		(193 799)	-	(23 829 860)
Carrying Value of disposals	-		-	-	-	-	(432 112)	(911 003)	-	-	-	(220 000)	-	-	(1 563 115)
Cost	-	-	(2 228 369)	-	-	-	(432 112)	(969 000)	-	-	-	(220 000)	-	-	(3 849 481)
Accumulated depreciation	-	-	2 228 369	-	-	-	-	57 997	-	-	-	-	-	-	2 286 366
Carrying Values at 30 June 2008	**-**	**17 174 498**	**27 970 506**	**72 002 893**	**89 809 390**	**176 154 664**	**6 241 985**	**12 787 013**	**27 108 823**	**75 982 700**	**4 562 831**	**-**	**435 662**	**26 354 242**	**536 585 207**
Cost	-	27 010 495	35 102 862	151 826 149	107 100 785	274 781 371	10 507 839	16 150 764	27 218 900	75 982 700	8 052 000	-	1 059 056	26 354 242	761 147 163
Accumulated depreciation	-	(9 835 997)	(7 132 356)	(79 823 256)	(17 291 395)	(98 626 707)	(4 265 854)	(3 363 751)	(110 077)	-	(3 489 169)	-	(623 394)	-	(224 561 956)

Correction of prior year errors are disclosed in note 36.
The note has been restated to accommodate the new categories of assets.

11. INTANGIBLE ASSETS

30 June 2009

	Servitudes	Software	Total
Carrying values as at 1 July 2008	**11 849 286**	**1 463 385**	**13 312 671**
Cost	18 535 889	1 982 770	20 518 659
Accumulated Amortisation	(6 686 603)	(519 385)	(7 205 988)
Write-off of intangible assets	-	(114 836)	(114 836)
Cost	-	(365 012)	(365 012)
Accumulated Amortisation	-	250 176	250 176
Additions	-	416 911	416 911
Amortisation	(370 748)	(547 018)	(917 766)
Carrying value closing balance as at 30 June 2009	**11 478 538**	**1 218 442**	**12 696 980**
Cost	18 535 889	2 034 669	20 570 558
Accumulated Amortisation	(7 057 351)	(816 227)	(7 873 578)

30 June 2008

	Servitudes	Software	Total
Carrying values as at 1 July 2007	**-**	**840 809**	**840 809**
Cost	-	896 249	896 249
Accumulated Amortisation	-	(55 440)	(55 440)
Correction of error - Note 36 - Transfers (See note 10)	12 220 719	803 132	13 023 851
Cost	18 535 889	947 665	19 483 554
Accumulated Amortisation	(6 315 170)	(144 533)	(6 459 703)
Correction of error - Note 36 - Prior Year error	(685)	-	(685)
Cost	-	-	-
Accumulated Amortisation	(685)	-	(685)
Restated carrying values as at 1 July 2007	12 220 034	1 643 941	13 863 975
Cost	18 535 889	1 843 914	20 379 803
Accumulated Amortisation	(6 315 855)	(199 973)	(6 515 828)
Write-off of intangible assets	-	-	-
Cost	-	-	-
Accumulated Amortisation	-	-	-
Additions	-	138 856	138 856
Amortisation	(370 748)	(319 412)	(690 160)
Carrying Value Closing Balance as at 30 June 2008	**11 849 286**	**1 463 385**	**13 312 671**
Cost	18 535 889	1 982 770	20 518 659
Accumulated Amortisation	(6 686 603)	(519 385)	(7 205 988)

Correction of prior year errors are disclosed in note 36.
The note has been restated to accommodate the new categories of intangible assets.

		2009 R	2008 R
12.	**INVESTMENT PROPERTIES**		
	Carrying Value Opening Balance	60 255 000	68 371 000
	Loss on valuation	-	(8 116 000)
	Gain on valuation	3 990 000	-
	Correction of error (see note 36)		
	Carrying Values Closing Balance	**64 245 000**	**60 255 000**
	The fair value of these properties as valued by Council's valuer at 30 June amounts to	64 245 000	60 255 000
	Rental income derived from these properties amount to	457 725	457 725
	No amounts were expensed towards repairs and maintenace costs for income generating investment properties.		
	Details of investment properties are included in a register which is available for inspection at the municipal offices.		
13.	**INVESTMENTS**		
	Unlisted		
	Zero coupon deposits	28 553 524	43 879 260
	Total Unlisted	**28 553 524**	**43 879 260**
	Financial Instruments		
	Fixed deposit under curatorship	-	260 857
	Collateral Security fixed deposits	225 679	-
	Fixed deposit	11 385 421	10 051 934
	Total Cash Investments	**11 611 100**	**10 312 791**
	Total Investments	**40 164 624**	**54 192 051**
	Council's valuation of unlisted investments	**40 164 624**	**54 192 051**
	Average rate of return on investments	**13%**	**14%**
	The investments in curatorship were realised in the current year.		
	The zero coupons have guaranteed maturity values and therefore no provision for impairments are required.		
	Investments pledged as security for loans advanced amount to	28 553 524	43 879 260
	Investments pledged for reimbursement of electricity contributions amount to	11 385 421	10 051 934
	Investments pledged as collateral security for loans advanced to staff amount to	225 679	-
	Collateral security fixed deposits were expected to be realised within the next twelve months in the prior year.		
	ACCOUNT DESCRIPTION - Investments (MFMA requirement)		
	Investments Bank Account *INCA Bank Account - Stanger Branch* *Account Number STAN 00-0001: Zero Coupon*		
	Bank statement balance at the begining of the year	1 365 310	1 200 546
	Bank statement balance at the end of the year	**1 552 141**	**1 365 310**
	Investments Bank Account *INCA Bank Account - Stanger Branch* *Account Number Kwad 00-0001: Zero Coupon*		
	Bank statement balance at the begining of the year	13 187 635	11 672 392
	Bank statement balance at the end of the year	**14 894 610**	**13 187 635**

	2009 R	2008 R

13. INVESTMENTS (continued)

Investments Bank Account
Investec Bank Account - Stanger Branch
Account Number TR 1846: Zero Coupon

Bank statement balance at the begining of the year	10 495 904	-
Bank statement balance at the end of the year	**12 106 773**	**-**

Investments Bank Account
Nedbank Bank Account (FBC Fidelity Bank) - Stanger Branch
Account Number 7492501269: Zero Coupon

Bank statement balance at the begining of the year	**-**	16 622 897
Bank statement balance at the end of the year	**-**	**18 830 411**

Zero coupon deposits were previously disclosed under non-current investments, however they will be realised within the next twelve months.

Investments Bank Account
Investec Bank Account - Stanger Branch
Account Number TR 1846: Zero Coupon

Bank statement balance at the begining of the year	**-**	9 095 935
Bank statement balance at the end of the year	**-**	**10 495 904**

Zero coupon deposits were previously disclosed under non-current investments, however they will be realised within the next twelve months.

TOTAL COLLATERAL ZERO COUPON DEPOSITS:	**28 553 524**	**43 879 260**

Investments Bank Account
Nedbank Account - Stanger Branch
Account Number 4627072052: Short Term Investment Account

Bank statement balance at the begining of the year	58 528	-
Bank statement balance at the end of the year	**65 588**	**-**

These amounts were previously disclosed under current investments, however they will not be realised within the next tweleve months.

Investments Bank Account
Nedbank Account - Stanger Branch
Account Number 4627072654: Short Term Investment Account

Bank statement balance at the begining of the year	102 128	-
Bank statement balance at the end of the year	**114 769**	**-**

These amounts were previously disclosed under current investments, however they will not be realised within the next tweleve months.

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 71039219855: Short Term Investment Account

Bank statement balance at the begining of the year	40 245	-
Bank statement balance at the end of the year	**45 322**	**-**

These amounts were previously disclosed under current investments, however they will not be realised within the next tweleve months.

TOTAL COLLATERAL SECURITY FIXED DEPOSITS:	**225 679**	**-**

	2009 R	2008 R
13. INVESTMENTS (continued)		
Investments Bank Account		
First National Bank Account - Stanger Branch		
Account Number 71186421337: Fixed Deposit		
Bank statement balance at the begining of the year	10 051 934	-
Bank statement balance at the end of the year	**11 385 421**	**10 051 934**
TOTAL FIXED DEPOSITS:	**11 385 421**	**10 051 934**
Investments Bank Account		
New Republic Bank Account - Stanger Branch		
Account Number 110284/0014: Under curatorship		
Bank statement balance at the begining of the year	70 471	70 471
Bank statement balance at the end of the year	-	**70 471**
Investments Bank Account		
New Republic Bank Account - Stanger Branch		
Account Number 110284/0015: Under curatorship		
Bank statement balance at the begining of the year	74 032	74 032
Bank statement balance at the end of the year	-	**74 032**
Investments Bank Account		
New Republic Bank Account - Stanger Branch		
Account Number 110284/0016: Under curatorship		
Bank statement balance at the begining of the year	116 354	116 354
Bank statement balance at the end of the year	-	**116 354**
TOTAL INVESTMENTS UNDER CURATORSHIP:	**-**	**260 857**
TOTAL NON CURRENT INVESTMENTS:	**40 164 624**	**54 192 051**
14. LONG-TERM RECEIVABLES		
Housing selling scheme loans	13 939 437	14 302 546
Electricity connection loans	11 881	102 578
Car loans	-	156 077
	13 951 318	14 561 201
Less provision for bad debts	(12 190 804)	(14 465 059)
Provision for housing debtors	-	(2 744 086)
Provision for future housing discounts	(12 190 804)	(11 558 460)
Provision for electricity connection loans	-	(6 436)
Provision for car loans	-	(156 077)
	1 760 514	96 142
Less: Current portion transferred to current receivables	(5 055)	(59 325)
Electricity connection loans	5 055	59 325
Total Receivables	**1 755 459**	**36 817**

CAR LOANS

These loans were granted to members of staff who are no longer in the service of the Council and have been written off as uncollectible.

ELECTRICAL CONNECTION LOANS

To encourage property owners to connect to the reticulation system, low interest rate loans were made to provide the necessary financial assistance. These loans attracted interest linked to prime up to a maximum of three years. These types of loans are no longer provided.

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing' s programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

	2009 R	2008 R

15. INVENTORIES

Consumable stores	46 894	110 030
Mechanical spares	6 184	37 783
Electrical maintenance spares	3 156 875	2 200 290
Fuel	93 249	174 553
Housing inventory	514 847	245 781
Total Inventories	**3 818 049**	**2 768 437**

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority

16. CONSUMER DEBTORS

Rates	82 014 922	64 935 636
Electricity	27 117 291	19 696 101
Estate	111 343	108 351
Refuse	5 712 675	5 264 478
Value added taxation	5 201 523	3 997 992
Legal Fees	619 380	633 404
Encroachment and plot clearing	14 750	7 751
Sundry Adjustments	1 117 834	1 207 512
Interest	1 921 065	1 468 145
Add back credits included above	4 191 573	-
Total service debtors	128 022 356	97 319 370
Less provision for bad debts	(17 975 667)	(13 995 685)
Total	**110 046 689**	**83 323 685**

The comparative has been restated to reflect interest seperately.
No comparative amounts are available for credits included in the consumer debtors.

Rates: Ageing

Current (0 – 30 days)	7 368 060	8 962 532
31 - 60 Days	4 887 772	7 694 622
61 - 90 Days	8 427 685	4 037 429
91 - 120 Days	3 614 095	3 650 741
Greater than 120 days	57 717 310	40 590 312
Total	**82 014 922**	**64 935 636**

Electricity: Ageing

Current (0 – 30 days)	20 986 390	13 567 406
31 - 60 Days	1 131 436	799 564
61 - 90 Days	590 322	544 348
91 - 120 Days	513 617	269 280
Greater than 120 days	3 895 526	4 515 503
Total	**27 117 291**	**19 696 101**

Refuse: Ageing

Current (0 – 30 days)	682 185	169 108
31 - 60 Days	340 758	331 506
61 - 90 Days	287 291	277 208
91 - 120 Days	236 183	324 588
Greater than 120 days	4 166 258	4 162 068
Total	**5 712 675**	**5 264 478**

Value Added Taxation: Ageing

Current (0 – 30 days)	3 116 592	1 278 815
31 - 60 Days	238 741	259 645
61 - 90 Days	136 032	204 999
91 - 120 Days	116 853	123 128
Greater than 120 days	1 593 305	2 131 405
Total	**5 201 523**	**3 997 992**

	2009 R	2008 R
16. CONSUMER DEBTORS (Continued)		
Estate: Ageing		
Current (0 – 30 days)	4 902	6 262
31 - 60 Days	4 269	4 970
61 - 90 Days	4 505	4 638
91 - 120 Days	3 943	4 314
Greater than 120 days	93 724	88 167
Total	**111 343**	**108 351**
Legal Fees: Ageing		
Current (0 – 30 days)	5 811	60 061
31 - 60 Days	35 084	16 198
61 - 90 Days	437	9 737
91 - 120 Days	2 992	16 684
Greater than 120 days	575 056	530 724
Total	**619 380**	**633 404**
Encroachment and plot clearing: Ageing		
Current (0 – 30 days)	2 672	-
31 - 60 Days	5 526	535
61 - 90 Days	-	1 171
91 - 120 Days	-	-
Greater than 120 days	6 552	6 045
Total	**14 750**	**7 751**
Sundry Adjustments: Ageing		
Current (0 – 30 days)	250 871	190 744
31 - 60 Days	(19 957)	16 888
61 - 90 Days	10 839	34 836
91 - 120 Days	1 821	75 900
Greater than 120 days	874 259	889 144
Total	**1 117 833**	**1 207 512**
Interest: Ageing		
Current (0 – 30 days)	1 526	2 393
31 - 60 Days	124 825	92 492
61 - 90 Days	118 523	99 310
91 - 120 Days	112 173	76 915
Greater than 120 days	1 564 018	1 197 035
Total	**1 921 065**	**1 468 145**
Add back credits included above: Ageing		
Current (0 – 30 days)	1 417 162	-
31 - 60 Days	338 641	-
61 - 90 Days	409 294	-
91 - 120 Days	544 154	-
Greater than 120 days	1 482 322	-
Total	**4 191 573**	**-**

No comparative amounts are available for the ageing.

	2009 R	2008 R
16. CONSUMER DEBTORS (Continued)		
Reconciliation of the Bad Debt Provision		
Balance at beginning of the year	38 534 321	61 780 984
Consumer debtors	13 995 685	18 377 638
Long term receivables	14 465 059	12 439 287
Other debtors	10 073 577	17 901 829
(Release from) / Contribution to provision	(2 379 855)	(10 184 433)
Consumer debtors	3 979 982	(4 381 953)
Long term receivables	(2 274 255)	2 025 772
Other debtors	(4 085 582)	(7 828 252)
Bad debts written off against provision	-	-
Consumer debtors	17 975 667	13 995 685
Non-current receivables (including provision for discount scheme)	12 190 804	14 465 059
Other debtors	5 987 995	10 073 577
Balance at end of year	**36 154 466**	**38 534 321**
Bad debts written off	2 857 034	21 697 614
17. OTHER DEBTORS		
Other debtors	14 229 667	10 450 079
Provincial Health Subsidy (see note 22)	1 340 437	829 371
Disaster Rough Seas (see note 22)	931 470	1 784 315
Department of Housing - RDP projects (see note 22)	3 469 675	1 893 175
Operating leases	1 758 002	1 592 646
Ilembe debtors	5 505 221	5 559 573
	27 234 472	22 109 159
less provision for bad debts	(5 987 995)	(10 073 577)
Total Other Debtors	**21 246 477**	**12 035 582**
18. CURRENT INVESTMENTS		
30 day deposits	119 092 953	82 875 457
Current portion of non current investment	21 323 849	-
Collateral security fixed deposits	-	200 901
	140 416 802	**83 076 358**
Investments pledged as collateral security for loans advanced to staff amount to	**-**	**200 901**

Collateral security fixed deposits were expected to be realised within the next twelve months in the prior year.

ACCOUNT DESCRIPTION - Investments (MFMA requirement)

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 62099517743: Money Market Account

Bank statement balance at the begining of the year	22 990 182	55 765 331
Bank statement balance at the end of the year	**16 469 109**	**22 990 182**

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 74099518647: Call Account

Bank statement balance at the begining of the year	12 412 986	11 167 760
Bank statement balance at the end of the year	**13 816 513**	**12 412 986**

Investments Bank Account
First National Bank Account - Stanger Branch
Account Number 71428762280: Call Account

Bank statement balance at the begining of the year	5 753 393	5 175 138
Bank statement balance at the end of the year	-	**5 753 393**

	2009 R	2008 R
18. CURRENT INVESTMENTS (continued)		
Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 71470297491: Call Account*		
Bank statement balance at the begining of the year	20 963 117	-
Bank statement balance at the end of the year	**23 302 784**	**20 963 117**
Investments Bank Account *Standard Bank Account - Stanger Branch* *Account Number 05 8756442-001: Call Account*		
Bank statement balance at the begining of the year	10 377 323	-
Bank statement balance at the end of the year	**11 580 587**	**10 377 323**
Investments Bank Account *ABSA Bank Account - Stanger Branch* *Account Number 2067768132: Call Account*		
Bank statement balance at the begining of the year	10 378 456	-
Bank statement balance at the end of the year	**11 542 870**	**10 378 456**
Investments Bank Account *Nedbank Bank Account - Stanger Branch* *Account Number 03 7881022337-10: Call Account*		
Bank statement balance at the begining of the year	**-**	**-**
Bank statement balance at the end of the year	**10 985 621**	**-**
Investments Bank Account *Standard Bank Account - Stanger Branch* *Account Number 058756442-002: Call Account*		
Bank statement balance at the begining of the year	**-**	**-**
Bank statement balance at the end of the year	**10 648 997**	**-**
Investments Bank Account *Nedbank Bank Account - Stanger Branch* *Account Number 03 7881022337-11: Call Account*		
Bank statement balance at the begining of the year	**-**	**-**
Bank statement balance at the end of the year	**5 194 370**	**-**
Investments Bank Account *ABSA Bank Account - Stanger Branch* *Account Number 2068872069: Call Account*		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**5 194 804**	**-**
Investments Bank Account *ABSA Bank Account - Stanger Branch* *Account Number 2068912186: Call Account*		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**5 178 010**	**-**
Investments Bank Account *Nedbank Bank Account - Stanger Branch* *Account Number 03 7881022337-12: Call Account*		
Bank statement balance at the begining of the year	**-**	**-**
Bank statement balance at the end of the year	**5 179 288**	**-**
TOTAL 30 DAY DEPOSITS:	**119 092 953**	**82 875 457**

	2009 R	2008 R
18. CURRENT INVESTMENTS (continued)		
Investments Bank Account *Nedbank Bank Account (FBC Fidelity Bank) - Stanger Branch* *Account Number 7492501269: Zero Coupon*		
Bank statement balance at the begining of the year	18 830 411	-
Bank statement balance at the end of the year	**21 323 849**	**-**
Zero coupon deposits were previously disclosed under non-current investments, however the current portion will be reflected under current investments.		
TOTAL CURRENT PORTION OF NON CURRENT INVESTMENTS:	**21 323 849**	**-**
Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 4627072052: Short Term Investment Account*		
Bank statement balance at the begining of the year	-	53 766
Bank statement balance at the end of the year	**-**	**58 528**
Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 4627072654: Short Term Investment Account*		
Bank statement balance at the begining of the year	-	93 820
Bank statement balance at the end of the year	**-**	**102 128**
Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 71039219855: Short Term Investment Account*		
Bank statement balance at the begining of the year	-	36 856
Bank statement balance at the end of the year	**-**	**40 245**
TOTAL COLLATERAL SECURITY FIXED DEPOSITS:	**-**	**200 901**
TOTAL CURRENT INVESTMENTS	**140 416 802**	**83 076 358**
19. BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following main bank accounts: ***ACCOUNT DESCRIPTION***		
Primary Bank Account *First National Bank Account - Stanger Branch* *Account Number 53730256310: Cheque Account* *First National Bank Account - Ballito Branch* *Account Number 53730076916: Cheque Account*		
Cash book balance at the begining of the year	16 153 850	2 818 092
Cash book balance at the end of the year	**23 051 095**	**21 300 164**
Bank statement balance at the begining of the year	19 720 237	5 524 034
Bank statement balance at the end of the year	**23 008 863**	**19 720 237**
Housing Bank Account *First National Bank Account - Stanger Branch* *Account Number 62020550077: Cheque Account*		
Cash book balance at the begining of the year	1 586 326	269 223
Cash book balance at the end of the year	**64 655**	**1 586 326**
Bank statement balance at the begining of the year	1 586 326	269 223
Bank statement balance at the end of the year	**64 655**	**1 586 326**

	2009 R	2008 R

19. BANK, CASH AND OVERDRAFT BALANCES (Continued)

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62015681225: Cheque Account

Cash book balance at the begining of the year	5 099 689	7 469 472
Cash book balance at the end of the year	**2 359 115**	**5 475 125**
Bank statement balance at the begining of the year	5 475 125	7 469 472
Bank statement balance at the end of the year	**2 359 115**	**5 475 125**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62031878624: Cheque Account

Cash book balance at the begining of the year	1 355 738	1 247 160
Cash book balance at the end of the year	**1 477 570**	**1 355 738**
Bank statement balance at the begining of the year	1 355 738	1 247 160
Bank statement balance at the end of the year	**1 477 570**	**1 355 738**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62031876800: Cheque Account

Cash book balance at the begining of the year	267 628	319 128
Cash book balance at the end of the year	**228 583**	**267 628**
Bank statement balance at the begining of the year	267 628	319 128
Bank statement balance at the end of the year	**228 583**	**267 628**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62059290454: Cheque Account

Cash book balance at the begining of the year	634 757	1 359 473
Cash book balance at the end of the year	**625 049**	**634 757**
Bank statement balance at the begining of the year	634 757	1 449 419
Bank statement balance at the end of the year	**625 049**	**634 757**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62059290561: Cheque Account

Cash book balance at the begining of the year	2 198 207	1 793 037
Cash book balance at the end of the year	**2 142 268**	**2 198 207**
Bank statement balance at the begining of the year	2 198 207	1 793 037
Bank statement balance at the end of the year	**2 142 268**	**2 198 207**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382132: Cheque Account

Cash book balance at the begining of the year	294 820	295 180
Cash book balance at the end of the year	**62 031**	**294 820**
Bank statement balance at the begining of the year	294 820	295 180
Bank statement balance at the end of the year	**62 031**	**294 820**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382322: Cheque Account

Cash book balance at the begining of the year	319 590	319 957
Cash book balance at the end of the year	**318 891**	**319 590**
Bank statement balance at the begining of the year	319 590	319 957
Bank statement balance at the end of the year	**318 891**	**319 590**

	2009 R	2008 R

19. BANK, CASH AND OVERDRAFT BALANCES (Continued)

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382570: Cheque Account

Cash book balance at the begining of the year	349 415	349 775
Cash book balance at the end of the year	**4 610**	**349 415**
Bank statement balance at the begining of the year	349 415	349 775
Bank statement balance at the end of the year	**4 610**	**349 415**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382786: Cheque Account

Cash book balance at the begining of the year	247 451	457 774
Cash book balance at the end of the year	**246 756**	**247 451**
Bank statement balance at the begining of the year	247 451	457 774
Bank statement balance at the end of the year	**246 756**	**247 451**

Electricity Main Bank Account
First National Bank Account - Stanger Branch
Account Number 62080947941: Cheque Account

Cash book balance at the begining of the year	256 841	257 690
Cash book balance at the end of the year	**255 533**	**256 841**
Bank statement balance at the begining of the year	256 841	257 690
Bank statement balance at the end of the year	**255 533**	**256 841**

Electricity Bank Account
First National Bank Account - Stanger Branch
Account Number 62080949301: Cheque Account

Cash book balance at the begining of the year	512 836	513 616
Cash book balance at the end of the year	**511 644**	**512 836**
Bank statement balance at the begining of the year	512 836	513 616
Bank statement balance at the end of the year	**511 644**	**512 836**

Gijima Bank Account
First National Bank Account - Stanger Branch
Account Number 62115726525: Cheque Account

Cash book balance at the begining of the year	107	2
Cash book balance at the end of the year	**33**	**107**
Bank statement balance at the begining of the year	107	2
Bank statement balance at the end of the year	**33**	**107**

Grants Bank Account
First National Bank Account - Stanger Branch
Account Number 62049936323: Cheque Account

Cash book balance at the begining of the year	13 489 615	4 158 678
Cash book balance at the end of the year	**8 008 879**	**13 489 615**
Bank statement balance at the begining of the year	13 489 615	4 928 775
Bank statement balance at the end of the year	**8 008 879**	**13 489 615**

Fines Bank Account
First National Bank Account - Stanger Branch
Account Number 62079758268: Cheque Account

Cash book balance at the begining of the year	3 697	110 891
Cash book balance at the end of the year	**12 419**	**3 697**
Bank statement balance at the begining of the year	3 697	110 891
Bank statement balance at the end of the year	**12 419**	**3 697**

		2009 R	2008 R
19.	**BANK, CASH AND OVERDRAFT BALANCES (Continued)**		
	Petty cash and cash on hand	**1 069 270**	**12 329**
	TOTAL BANK BALANCES AND CASH:	**40 438 401**	**48 304 646**
20.	**PROPERTY RATES**		
	Actual		
	Residential	79 407 275	67 455 132
	Commercial	21 570 048	18 454 819
	Residential for commercial purposes	932 294	1 757 025
	Education and State	2 642 729	2 413 766
	Municipal	-	-
	Agriculture	7 498 024	7 031 843
	Private open space	-	-
	Vacant	47 662 163	43 381 845
	PSI	63 597	
	Total Assessment Rates	**159 776 130**	**140 494 430**
	Property Valuations		
	Residential	20 284 018 650	19 225 204 820
	Commercial	1 651 729 370	1 516 388 370
	Residential for commercial purposes	121 630 000	156 180 000
	Education and State	275 859 000	275 859 000
	Municipal	347 240 830	345 429 830
	Agriculture	1 825 447 000	1 875 158 000
	Vacant	3 668 641 100	3 643 656 100
	Informal settlements	3 415 000	3 415 000
	Land reform	139 722 000	132 373 000
	Monuments	1 260 000	1 260 000
	PSI	18 970 000	18 941 000
	Worship / PBOS	99 059 000	98 755 000
	Total Property Valuations	**28 436 991 950**	**27 292 620 120**
	The last general valuation came into effect on:	01/01/2006	
	KwaDukuza	-	02/07/2006
	Dolphin Coast	-	02/07/2006
	Nkwazi/Zinkwazi	-	02/07/2006
	Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007		
	Supplementary valuations are prepared on a biannual basis taking into account consolidations and subdivisions as well as property category changes		
	Assessment rates: Cents in the rand on market valuation as follows:		
	Residential, informal settlements, land reform,monuments and residential used for commercial purposes	0,01095	
	Residential used for agricultural	0,01643	
	Industrial, business and commercial, vacant, public infrastructure, state owned and worship	0,01916	
	Residential, informal settlements, land reform and monuments		0,01000
	Residential used for commercial purposes, agricultural and worship		0,01500
	Industrial, business and commercial, vacant, public infrastructure and state owned		0,01750
	The first R50 000 of the valuation of residential properties are exempt from the calculation of rates. The first 30% of the valuation of Public Service infrastructure properties are exempt from the calcualtion of rates		

		2009 R	2008 R
20.	**PROPERTY RATES (Continued)**		
	Rebates:		
	Improved special residentail property	60%	60%
	State property owners	50%	50%
	Agricultural property & PSI	75%	75%
	Residential used for commercial purposes	30%	25%
	Industrial, business and commercial, and vacant	25%	25%
	Land reform, worship, PBO's, monuments, informal settlements and municipal owned property	100%	100%
	Additional rebates applicable:		
	Excluded services	15%	15%
	Pensioners	25%	25%
	Ballito Business Park Phase 2	34.48%	54.18%
	Ballito Business Park Phase 3	67.79%	86.53%
	Industrial incentives including:		
	Phasing in of rates from the first year of establishment	25%	25%
	Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2009 financial year:		
	On an annual basis, by application, and the final date of payment being:	30 Sept 2008	28 Sept 2007
	On a monthly basis, and the final dates of payment being the last working day of the month from August 2008 to June 2009.		
	Interest is levied on outstanding rates per annum at:	18%	18%
	Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%
21.	**SERVICE CHARGES**		
	Sale of electricity	202 772 283	154 225 888
	Refuse removal	24 044 509	21 165 653
	Total Service Charges	**226 816 792**	**175 391 541**
22.	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Equitable Share	36 485 626	25 954 723
	Municipal Infrastructure Grant	16 482 778	16 012 595
	Financial Management Grant	399 583	484 223
	Department of Trade and Industry	-	4 117 404
	Umsobomvu	-	108 865
	Integrated Development Plan	-	3 915
	Performance Management Systems	-	50 000
	Geographical Information Systems	-	16 059
	Land Use Management Systems	90 000	270 000
	Department of Minerals and Energy	2 400 000	7 001 962
	Municipal Systems Improvement Grant	1 049 855	155 790
	New Library Grant	43 677	2 744 177
	Department of Local Government and Traditional Affairs	-	250 000
	Local Economic Development	123 251	
	Gijima	-	100 000
	Provincial Health Subsidies	4 109 256	2 856 515
	Coastal Care Grant	-	390 445
	Department of Sports and Recreation	1 116 700	
	CBD Revitalization	870 767	
	King Shaka	385 823	111 810
	Municipal Assistance Programme	794 642	
	Museum	62 972	72 000
	Department of Housing: RDP Housing	1 576 500	1 158 817
	Disaster Rough Seas	15 446 356	4 004 495
	Ramasar Relief Fund	10 689	
	Health: SAPPI	25 850	
	Development Bank of South Africa - Sea	407 151	
	Development Bank of South Africa - Housing Summit	20 000	-
	Total Government Grant and Subsidies	**81 901 475**	**65 863 795**

	2009 R	2008 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	36 485 626	25 954 723
Conditions met – transferred to revenue	(36 485 626)	(25 954 723)
Conditions still to be met	**-**	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

22.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	3 296 612	3 845 966
Current year receipts	13 509 896	15 463 241
Conditions met - transferred to revenue	(16 482 778)	(16 012 595)
Conditions still to be met-transferred to liabilities (see note 8)	**323 730**	**3 296 612**

This grant was used for road infrastructure as part of upgrading of informal settlements. No funds were withheld.

22.3 Financial Management Grant

Balance unspent at beginning of year	391 355	375 578
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	(399 583)	(484 223)
Conditions still to be met-transferred to liabilities (see note 8)	**491 772**	**391 355**

This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld from National Treasury.

22.4 Department of Trade and Industry

Balance unspent at beginning of year	-	2 659 504
Current year receipts	-	1 457 900
Conditions met - transferred to revenue	-	(4 117 404)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is a refund for bulk infrastructure.

22.5 Umsobomvu

Balance unspent at beginning of year	-	108 865
Current year receipts	-	-
Conditions met - transferred to revenue	-	(108 865)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This was used for the establishment of Youth Advisory Centre.
No funds were withheld.

22.6 Integrated Development Plan Grant

Balance unspent at beginning of year	-	3 915
Current year receipts	-	-
Conditions met - transferred to revenue	-	(3 915)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is for the development of Intergrated development Plan.
No funds were withheld.

	2009 R	2008 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.7 Performance Management Systems Grant

Balance unspent at beginning of year	-	50 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(50 000)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is for the development of perfomance management contracts.
No funds were withheld.

22.8 Interdepartmental Monitoring Systems Grant

Balance unspent at beginning of year	40 000	40 000
Current year receipts	-	
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**40 000**	**40 000**

The grant was to be used for administrative capacity building.
No funds were withheld.

22.9 Geographical Information Systems Grant

Balance unspent at beginning of year	-	16 059
Current year receipts	-	-
Conditions met - transferred to revenue	-	(16 059)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

Development of Geographical information Systems.
No funds were withheld.

22.10 Land Use Management Systems Grant

Balance unspent at beginning of year	322 000	392 000
Current year receipts	100 000	200 000
Conditions met - transferred to revenue	(90 000)	(270 000)
Conditions still to be met-transferred to liabilities (see note 8)	**332 000**	**322 000**

Spatial development framework and land use management systems. No funds were withheld.

22.11 Department of Minerals and Energy Grant

Balance unspent at beginning of year	-	1 962
Current year receipts	2 400 000	7 000 000
Conditions met - transferred to revenue	(2 400 000)	(7 001 962)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.

22.12 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	5 790
Current year receipts	2 500 000	150 000
Conditions met - transferred to revenue	(1 049 855)	(155 790)
Conditions still to be met-transferred to liabilities (see note 8)	**1 450 145**	**-**

This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.

	2009 R	2008 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.13 New Library Grant

Balance unspent at beginning of year	-	1 707 715
Current year receipts	85 000	1 036 462
Conditions met - transferred to revenue	(43 677)	(2 744 177)
Conditions still to be met-transferred to liabilities (see note 8)	**41 323**	**-**

This grant was in construction of new KwaDukuza library.
No funds were withheld.

22.14 Admin Capacity

Balance unspent at beginning of year	100 000	100 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**100 000**	**100 000**

This grant is for capacity building.

22.15 Local Government and Traditional Affairs Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	250 000
Conditions met - transferred to revenue	-	(250 000)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is for improvement in public participation.
No funds were withheld.

22.16 Local Economic Development Grant

Balance unspent at beginning of year	123 251	123 251
Current year receipts	-	-
Conditions met - transferred to revenue	(123 251)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**123 251**

This grant is used for local economic development.
No funds were withheld.

22.17 Community Development Workers Grant

Balance unspent at beginning of year	16 351	16 351
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**16 351**	**16 351**

This grant is used to pay for community development workers.
No funds were withheld.

22.18 Gijima Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	100 000
Conditions met - transferred to revenue	-	(100 000)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant was used for the development of LED strategy.
No funds were withheld.

	2009 R	2008 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.19 Other Grants and Subsidies

Balance unspent at beginning of year	-	1 719 167
Current year receipts	-	2 000 000
Conditions met - transferred to revenue	-	-
Transferred to consumers	-	(1 719 167)
Adjustments (see note 22.28)	-	(2 000 000)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

Previously unidentified grants now appropriately transferred to the correct accounts.

22.20 Provincial Health Subsidies

Balance to be refunded at beginning of year	(829 371)	(841 676)
Current year receipts	4 109 256	2 856 515
Expenditure claimed in accordance with grant conditions	(4 620 322)	(2 844 210)
Grant claim outstanding -transferred to other debtors (see note 17)	**(1 340 437)**	**(829 371)**

The grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no delays or withholding of the subsidy.

22.21 Coastal Care Grant

Balance unspent at beginning of year	-	(59 138)
Current year receipts	-	449 583
Conditions met - transferred to revenue	-	(390 445)
Grant claim outstanding -transferred to other debtors (see note 17)	**-**	**-**

The grant is used to pay wages for people employed to clean the beaches.

22.22 Property Rates Implemenation

Balance unspent at beginning of year	133 000	-
Current year receipts	-	133 000
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**133 000**	**133 000**

This grant is for the communication of the Municipal Property Rates Act to the public. No funds were withheld.

22.23 Development Bank of South Africa

Balance unspent at beginning of year	262 774	-
Current year receipts	-	1 229 123
Conditions met - transferred to revenue	-	-
Adjustments	-	(966 349)
Conditions still to be met-transferred to liabilities (see note 8)	**262 774**	**262 774**

This grant is for capacity building.

22.24 Department of Sports and Recreation

Balance unspent at beginning of year	325 000	-
Current year receipts	791 700	325 000
Conditions met - transferred to revenue	(1 116 700)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**325 000**

This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.

	2009 R	2008 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.25 CBD Revitalization

Balance unspent at beginning of year	1 000 000	-
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	(870 767)	-
Conditions still to be met-transferred to liabilities (see note 8)	**129 233**	**1 000 000**

This grant is for the revitalization of the urban design framework for KwaDukuza central business district (CBD) to increase growth opportunities and investor confidence.

22.26 Agricultural

Balance unspent at beginning of year	3 731	-
Current year receipts	2 039	4 000
Conditions met - transferred to revenue	-	-
Adjustments	-	(269)
Conditions still to be met-transferred to liabilities (see note 8)	**5 770**	**3 731**

This grant is for the erection of a stall at the Garden and Leisure Show in Pietermaritzburg

22.27 King Shaka Tourism Route

Balance unspent at beginning of year	338 190	-
Current year receipts	1 550 279	450 000
Conditions met - transferred to revenue	(385 823)	(111 810)
Conditions still to be met-transferred to liabilities (see note 8)	**1 502 646**	**338 190**

This grant is for the construction of bus and pedestrian access to King Shaka's Cave.

22.28 Municipal Assistance Programme

Balance unspent at beginning of year	2 000 000	-
Current year receipts	1 000 000	2 000 000
Conditions met - transferred to revenue	(794 642)	-
Conditions still to be met-transferred to liabilities (see note 8)	**2 205 358**	**2 000 000**

This grant is for credit control and GRAP implementation.

22.29 Museum

Balance unspent at beginning of year	-	-
Current year receipts	62 972	72 000
Conditions met - transferred to revenue	(62 972)	(72 000)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is for the Museum expenditure incurred.

22.30 Department of Housing: RDP Housing

Balance to be refunded at beginning of year	1 893 175	734 358
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	1 576 500	1 158 817
Grant claim outstanding - transferred to other debtors (see note 17)	**3 469 675**	**1 893 175**

Amount due by Department of Housing in respect of bridge financing of RDP project in terms of the HAC meeting 08/2005 approved by the MEC.
The comparative amount has been restated to reflect the correct opening balance to agree with Appendix F.

	2009 R	2008 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.31 Disaster Rough Seas

Balance to be refunded at beginning of year	(1 784 315)	-
Current year receipts	16 299 201	2 220 180
Expenditure claimed in accordance with grant conditions	(15 446 356)	(4 004 495)
Grant claim outstanding - transferred to other debtors (see note 17)	**(931 470)**	**(1 784 315)**

This grant is from Department of Provincial Local Government for the clean up operations on the beaches.

22.32 Ramasar Relief Fund

Balance unspent at beginning of year	-	-
Current year receipts	48 632	-
Conditions met - transferred to revenue	(10 689)	-
Conditions still to be met-transferred to liabilities (see note 8)	**37 943**	**-**

This grant represents public donations paid in respect of fire damage to ratepayers homes.

22.33 Disaster Relief Fund - Storm 28.02.2009

Balance unspent at beginning of year	-	-
Current year receipts	2 150	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**2 150**	**-**

This grant represents public donations paid in respect of storm damage on 28 February 2009.

22.34 Department of Agriculture

Balance unspent at beginning of year	-	-
Current year receipts	100 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**100 000**	**-**

This grant is in respect of the Amadumbe processing plant.

22.35 Health: SAPPI

Balance unspent at beginning of year	-	-
Current year receipts	50 000	-
Conditions met - transferred to revenue	(25 850)	-
Conditions still to be met-transferred to liabilities (see note 8)	**24 150**	**-**

This grant represents rennovations to the clinic funded by SAPPI.

22.36 Development Bank of South Africa - SEA

Balance unspent at beginning of year	-	-
Current year receipts	407 151	-
Conditions met - transferred to revenue	(407 151)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is for the strategic environmental assessment (SEA).

	2009 R	2008 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.37 Development Bank of South Africa - Housing Summit		
Balance unspent at beginning of year	-	-
Current year receipts	20 000	-
Conditions met - transferred to revenue	(20 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**
This grant is for the housing summit expenditure incurred.		
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	66 479 653	56 661 090
Contributions to UIF, medical, pension benefits, WC and levies	20 321 617	19 123 832
Travel, motor car, accommodation, subsistence and other allowances	6 082 116	5 030 587
Housing benefits and allowances	955 154	785 105
Overtime, standby and rations payments	12 237 758	8 756 321
Leave pay and leave bonus payments	6 313 080	6 549 745
	112 389 378	**96 906 680**
Included in the employee related costs are the following:		
Remuneration of the Municipal Manager		
Annual remuneration	574 737	431 614
Car allowance	242 820	207 995
Contributions to UIF, medical and pension funds	121 383	96 616
Total	**938 940**	**736 225**
Remuneration of the Chief Finance Officer		
Annual remuneration	596 079	519 748
Car allowance	88 839	90 508
Contributions to UIF, medical and pension funds	166 375	137 947
Total	**851 293**	**748 203**
Remuneration of Executive Directors		
Economic Development and Planning		
Annual remuneration	610 513	492 804
Car allowance	96 075	96 078
Medical and pension funds	15 374	10 476
Total	**721 962**	**599 358**
Technical Services		
Annual remuneration	554 444	392 629
Car allowance	48 282	115 741
Medical and pension funds	154 356	117 207
Total	**757 082**	**625 577**
Corporate Services		
Annual remuneration	614 304	489 450
Car allowance	-	24 024
Medical and pension funds	147 017	119 284
Total	**761 321**	**632 758**
Municipal Services		
Annual remuneration	716 898	599 358
Car allowance	-	-
Medical and pension funds	5 292	-
Total	**722 190**	**599 358**

		2009 R	2008 R
24.	**REMUNERATION OF COUNCILLORS**		
	Mayor	499 742	452 137
	Deputy Mayor	404 695	310 378
	Speaker	404 695	370 597
	Mayoral committee members	2 186 246	1 739 816
	Councillors	4 906 012	4 384 258
	Councillors' pension contribution	860 312	677 018
	Total Councillors' Remuneration	**9 261 702**	**7 934 204**
	In-kind Benefits		
	The Mayor has the use of a Council owned vehicle for official duties and has four permanent bodyguards.		
25.	**FINANCE COSTS**		
	Non-current liabilities	13 419 874	12 874 285
	Short-term borrowings	-	961 884
		13 419 874	**13 836 169**
26.	**BULK PURCHASES**		
	Electricity	**133 890 106**	**98 765 960**
27.	**GENERAL EXPENSES**		
	Included in general expenses is the following: -		
	Departmental charges	9 531 138	8 991 640
	Free basic services	6 059 035	4 264 542
	Dump charges	5 588 304	2 930 407
	Replacement of faulty meters	3 575 091	-
	Indigent support - sports and recreation department	3 494 979	4 029 141
	Indigent support - waste management department	2 398 413	2 184 051
	Security services	2 223 375	1 644 022
	LED provision	1 943 575	1 193 193
	Shark control expenditure	1 850 747	1 682 497
	Call out to consumer complaints	1 705 837	1 876 896
	Life saving Africa	1 601 214	1 477 704
	Grant expenditure	1 576 500	-
	Legal costs	1 379 733	1 147 447
	Marketing	1 193 491	-
	Audit fee - external audit	1 184 329	965 021
	Bank charges	1 135 341	960 237
	Insurance general	1 058 515	-
	Refuse bags/contract	978 873	937 677
	Free basic services	782 301	1 513 557
	Valuations & valuation rolls	747 132	999 128
	Processing of fines	622 945	1 068 295
	Subsidies - selling schemes	281 708	1 395 835
	Expenditure disaster rough seas	17 818	4 004 495
	Project expenditure - RDP housing	-	1 158 817
	Other general expenses	31 805 216	25 377 237
		82 735 610	**69 801 839**

	2009 R	2008 R

28. OTHER INCOME

Included in other income is the following: -

Contributions demand based	13 472 558	-
Building plan fees	3 685 045	4 581 808
Sundries	2 426 704	-
Electricity availability	1 932 612	1 405 344
Non standard service connection	1 893 177	-
Disconnection / reconnection fees	697 373	598 925
Contribution in lieu of parking	425 463	984 622
Roads master plan	330 974	593 911
Sale of redundant stock	105 848	737 132
Sale of electricity street lights	59 630	35 242
Other income	7 017 046	4 969 180
	32 046 430	**13 906 164**

29. FRUITLESS AND WASTEFUL EXPENDITURE

Penalties incurred on late submission of VAT returns	-	99 788
Interest raised on late payment of VAT	-	79 166
	-	**178 954**

In the current year most of the amounts have been recovered other than a small amount which is under investigation.

30. CASH GENERATED BY OPERATIONS

Surplus for the year	142 063 173	70 644 697
Adjustment for: -		
Ammoritsation: Intangible assets	917 766	690 160
Depreciation:Property,Plant and equipment	27 661 574	23 829 860
Depreciation on leased assets	216 128	-
Impairment loss	5 146 011	-
Scrapping loss	1 190 038	-
Previous years operating transactions	(3 865)	6 985 432
loss on disposal of property, plant and equipment	1 127 401	(3 684 798)
Contribution to provisions - non-current	(49 023)	6 630 135
Contribution to provisions - current	4 826 644	-
Contribution to retirement benefit obligation	6 545 891	1 964 583
Contribution to long service award benefits	(687 840)	1 589 008
Release from bad debt provision	(2 379 855)	(10 184 433)
Bad debts written-off	-	(21 697 614)
Fair value adjustment : Investment properties	(3 990 000)	8 116 000
Investment income	(18 464 780)	(13 992 398)
Public Donations	(30 256 762)	-
Finance costs	13 419 874	13 836 169
Operating surplus before working capital changes:	147 282 375	84 726 801
(Increase)/Decrease in inventories	(1 049 612)	(365 385)
(Increase)/Decrease in consumer debtors	(26 723 004)	(28 180 406)
Decrease/(Increase) in other debtors	(9 393 326)	13 612 106
(Decrease) /Increase in conditional grants and receipts	(1 153 919)	(3 063 859)
Increase in creditors	3 831 819	2 577 149
Decrease in short term portion of long term receiveables	54 270	2 514 075
Increase in VAT receivable	(1 426 464)	(1 137 916)
Cash generated by operations	111 422 139	70 682 565

31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	40 438 401	48 304 646
Call investment deposits	140 416 802	83 076 358
Total cash and cash equivalents at the end of the year	**180 855 203**	**131 381 004**

The municipality has undrawn borrowing facilities of R30 563 386 (2008: R44 534 378)

	2009 R	2008 R

32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	484 707	459 795
Amount paid - current year	(484 707)	(459 795)
Amount paid - previous years		
Balance unpaid (included in creditors)	**-**	**-**

32.2 Audit fees

Opening balance	70 139	(9 633)
Current year audit fee	2 250 224	2 023 529
Amount paid - current year	(2 250 224)	(1 953 390)
Amount paid - previous years	9 633	9 633
Balance unpaid (included in creditors)	**79 772**	**70 139**

32.3 VAT

Vat received for the year	**11 699 943**	**11 699 943**
VAT paid for the year	**1 009 088**	**1 009 088**

VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	14 703 988	12 013 199
Amount paid - current year	(14 703 988)	(12 013 199)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

32.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council	28 200 500	24 703 672
Amount paid - current year	(28 200 500)	(24 703 672)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

32.6 Councillor's arrear consumer accounts

The following Councillor had arrear accounts outstanding for more than 90 days during the financial year:

Outstanding more than 90 days

Councillor: BH Maraj	986	-

Councillor Maraj normally pays his account annually although his account with us is billed on a monthly basis. He paid his account up to 30 June 2009 on 12 February 2009 when he became aware of the debt.

32.7 Supply chain management deviations

Mayoral Games	278 502	-
Mr Price Pro Surfing Contest	1 727 547	-
Storm Damage	11 525 765	-
General contracts	12 209 079	-
	25 740 893	**-**

		2009 R	2008 R
33.	**CAPITAL COMMITMENTS**		
	Commitments in respect of capital expenditure:		
	- Approved and contracted for:	34 717 000	16 579 342
	Infrastructure	11 300 000	16 579 342
	Community	23 417 000	-
	- Approved but not yet contracted for:	194 537 110	195 805 167
	Infrastructure	87 892 000	73 872 287
	Community	106 645 110	121 932 880
	Total	**229 254 110**	**212 384 509**
	This expenditure will be financed as follows:		
	Grant funded	115 285 610	230 586 053
	Council funded	33 359 100	42 188 780
	External Loans	80 609 400	28 182 553
		229 254 110	**300 957 386**
34.	**CONTINGENT LIABILITIES**		
	A claim made by Ezio Gori which is currently being defended by the municipality. Mr Gori is suing the municipality for breach of contract for terminating his contract as project manager for various housing projects.	1 340 780	1 340 780
	Iliso Consulting is suing the municipality for breach of contract and for professional fees for the Groutville Priority one housing project. They claim that they were appointed by Prop 5 Consultants who were project managers for Council. Council did not mandate Prop 5 to appoint these consultants.	233 510	233 510
	Staff dispute in progress (2008: 2 staff disputes)	96 486	507 729
		1 670 776	2 082 019
35.	**CONTINGENT ASSETS**		
	Eagle Take Away failed to pay Kwadukuza Municipality an amount of R1266451 for proceeds from sale of prepaid electricity cards.	1 345 000	1 345 000
	Debtor sued for rates & service charges.	28 016	13 000
	Two debtors being sued for outstanding service charges (2007: one debtor).	87 000	44 500
	Claim by Kwadukuza Municipality against three debtors (2007: five debtors).	217 020	208 211
	Recovery of monies from staff from the previous Nkwazi TLC that were overpaid by the municipality due to an illegal decision taken by the said municipality to upgrade the salaries of the staff.	-	925 790
	Alledged misappropriation of funds by two former employees.	47 730	40 730
	Claim against Superb Cash & Carry for fire and emergency services rendered.	-	651 502
	Two cases of theft of money by cashier. Case opened with SAPS and attempts are being made to recover the monies. Legal costs were reduced from the prior year assessment of this amount.	113 000	139 218
	Town Planning Transgression	90 000	-
	Case Involving alleged Town Planning Trangression		
	Cancellation of Sale Agreement	12 475	-
		1 940 241	3 367 951

	2009 R	2008 R

36. CORRECTION OF ERROR

The comparatives for 2008/09 have been restated in respect of the following errors:

36.1 Errors arising in the accounting for fixed assets.

Fixed assets at cost or carrying value as previously reported	631 783 402
The unbundling and componentisation of assets as part of the implementation of GRAP 17 resulted in the identification of assets that were previously not recognised, assets being physically identified but not reflected in the ledger and vice versa.	91 887 522
Transfer to intangible assets of servitudes as at 1 July 2007	(19 483 554)
Additions	33 897 748
Capital under construction	25 852 471
Disposals	(3 849 481)
Reclassification of assets to new categories of property, plant and equipment created as part of the implementation of GRAP 17.	
Restated Balance at 30 June 2008 - Note 10	**760 088 108**
Accumulated depreciation previously reported	(202 838 562)
The unbundling and componentisation of assets as part of the implementation of GRAP 17 resulted in the identification of assets that were previously not recognised, assets being physically identified but not reflected in the ledger and vice versa.	(3 257 613)
Assets previously not depreciated	(2 952 396)
Transfer to intangible assets of servitudes as at 1 July 2007	6 459 703
Disposals	2 286 366
Depreciation for the year as restated	23 636 061
Depreciation for the year as previously reported	22 789 645
Restatement of depreciation for the year	846 416
Restated balance at 30 June 2008 - Note 10	**(223 938 563)**

36.2 Errors in accounting for intangible assets

Intangible assets at cost or carrying value as previously reported	896 249
The unbundling and componentisation of assets as part of the implementation of GRAP 17 resulted in the identification of assets that were previously not recognised, assets being physically identified but not reflected in the ledger and vice versa.	19 483 554
Additions for the year	138 856
Restated Balance at 30 June 2008 - Note 11	**20 518 659**
Accumulated amortisation previously reported	(55 440)
The unbundling and componentisation of assets as part of the implementation of GRAP 17 resulted in the identification of assets that were previously not recognised, assets being physically identified but not reflected in the ledger and vice versa.	(6 459 703)
Prior year error	(685)
Depreciation for the year as restated	(690 160)
Amortisation for the year as previously reported	(178 310)
Restatement of depreciation for the year	(511 850)
Restated balance at 30 June 2008 - Note 11	**(7 205 988)**

	2009 R	2008 R
36. CORRECTION OF ERROR (Continued)		
36.3 Errors in accounting for VAT in provisions		
VAT debtor as previously reported		2 177 732
Adjustment to provisions - VAT portion		135 243
Restated balance at 30 June 2008 - Note 9		**2 312 975**
36.3 Errors in accounting for straight lining of lease debtors		
Other debtors as previously reported		10 442 936
Straight lining of operating lease receivables, previously not done - 2006/07		1 410 215
Straight lining of operating lease receivables, previously not done - 2007/08		182 431
Restated balance at 30 June 2008 - Note 9		**12 035 582**
36.3 Restatement of the surplus for the year		
Surplus for the year as previously reported		(72 357 007)
Adjustments made for:		
Depreciation		(846 416)
Adjustment to provisions - VAT portion		(135 243)
Rental income - operating leases		(523 909)
Reversal of previous rental income		341 479
Accrual of building plan fees		673 184
Depreciation on leased assets		193 799
Interest on leased assets		75 564
Rental payment on leased assets		(270 830)
Amortisation of intangible assets		511 850
Surplus for the year as restated		**(72 337 529)**
36.4 Restatement of Leased assets- cost		
Balance as previously reported		**-**
Leased assets capitalised		904 418
Additional leases		154 637
Terminated leases		(201 944)
Leased assets as restated		**857 111**
36.5 Restatement of Leased assets accumulated depreciation		
Balance as previously reported		**-**
Accumulated depreciation on leased assets capitalised		(429 595)
Terminated leases		201 944
Restatement of depreciation for the year		(193 799)
Depreciation for the year as previously reported		-
Depreciation for the year as restated		(193 799)
Accumulated depreciation on leased assets restated		**(421 450)**
36.6 Restatement of Lease liability		
Non-Current lease liability as previously reported		**-**
Lease liability		(528 630)
Additional leases		(154 638)
Capital amortisation		195 266
Restated lease liability (note 40)		**(488 002)**

	2009 R	2008 R

37. EVENTS AFTER THE REPORTING DATE

37.1 PRIMARY HEALTH CARE FUNCTION

The Primary Health Care function that is being performed on behalf of the Provincial Health Department is to be reabsorbed by the Provincial Health Department. The effective date of this transfer was 01 January 2008, however at 30 June 2009 the process of transferring this function was not complete. All staff, assets and liabilities associated with this function have not yet been transferred to the Provincial Health Department on that date.

The subsidy received from the Provincial Health Department for the rendering of this service on behalf of the Department does not fully cover the operational costs associated with this service, and this service is therefore reliant on subsidisation by the income raised from rate and tariff billing.

37.2 REGIONAL ELECTRICITY DISTRIBUTORS

In line with the National restructuring initiatives relating to the electricity industry, KwaDukuza Municipality has tacitly indicated willingness to participate in RED 5. It is envisaged that a Public Entity will be formed and all assets and liabilities relating to the provision of this service will be transferred to the said Public Entity. Due to the uncertainty surrounding this entire issue, the financial implications relating to this matter cannot, at this stage, be determined with any degree of accuracy. EDI Holdings has appointed a service provider in order to undertake the Municipal Systems Act S78 processes as well as the ringfencing of the electricity business. The financial implications of this restructuring will only be made fully available at the conclusion of this task.

37.3 NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NERSA approved a 31.5% increase in Eskom bulk purchase tarrifs which will have a significant effect on future revenues and expenditure.

38 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure's E(1) and E(2).

39. RELATED PARTIES

39.1 COUNCILLOR: A G HORTON

Expenditure:		
General Expenses for the year	102 781	96 308
Nature of transaction: Mr Horton is employed by the Council Attorney's.		
Balance outstanding at year end:	-	9 789

39.2 COUNCILLOR: R SINGH

Expenditure:		
General Expenses for the year	4 010 689	3 271 130
Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.		
Balance outstanding at year end:	Nil	Nil

39.3 STAFF MEMBER: S KUBER

Expenditure:		
General Expenses for the year	6 652	42 737
Nature of transaction: The Council has entered into a contract for printing and stationery supply with the staff member's parent.		
Balance outstanding at year end:	Nil	Nil

	2009 R	2008 R
39. RELATED PARTIES (continued)		
39.4 STAFF MEMBER: G GIBBON		
Expenditure:		
General Expenses for the year	26 400	26 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.5 STAFF MEMBER: J N HALL		
Expenditure:		
General Expenses for the year	30 000	30 000
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.6 STAFF MEMBER: A ARCHARY		
Expenditure:		
General Expenses for the year	-	2 500
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.7 STAFF MEMBER: N G S BIYELA		
Expenditure:		
General Expenses for the year	41 400	41 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.8 STAFF MEMBER: C BUNDY		
Expenditure:		
General Expenses for the year	407 442	1 701 263
Nature of transaction: The Council has entered into a contract with the spouse of the employee for the implementation of LED projects.		
Balance outstanding at year end:	Nil	Nil
Total value of related parties	**4 625 364**	**5 211 738**

	2009 R	2008 R
40. LEASES		
OPERATING LEASES		
The future minimum lease payments payable under operating leases for the actual liability are as follows:		
No later than 1 year	-	565 432
Later than 1 year and no later than 5 years	-	618 329
Later than 5 years	-	-
	-	**1 183 761**
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	376 480	1 189 386
Later than 1 year and no later than 5 years	1 840 566	4 757 544
Later than 5 years	8 447 416	14 110 800
	10 664 462	**20 057 730**

Operating lease payments payable relate to the hiring of office equipment, cleaning agents and water dispensers.

Operating lease payments receivable relate to rentals for the car park, caravan park, advertising space and housing.

Salient leases
The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.

FINANCE LEASES

Finance lease liability - Minimum lease payments		
No later than 1 year	237 789	268 239
Later than 1 year and no later than 5 years	155 370	323 654
Later than 5 years		
Future Finance charges on finance leases	(54 158)	(103 891)
Present Value of finance lease liability	**339 001**	**488 002**
The present of finance lease liabilties is as follows		
No later than 1 year	218 597	247 064
Later than 1 year and no later than 5 years	120 404	240 938
Later than 5 years	-	
	339 001	**488 002**

41. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION

Long-term liabilities - facilities granted	138 460 177	148 249 696
Used to finance property, plant and equipment - at cost	(107 896 791)	(103 715 318)
Undrawn facilities	30 563 386	251 965 014
DBSA R43 million loan	8 301 793	17 821 351
Inca vehicle loan R42 million	22 261 593	26 713 026
	30 563 386	44 534 377
Cash invested for repayment of long-term liabilities	30 563 386	43 879 260

KWADUKUZA MUNICIPALITY
APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2009

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/08	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/09
		%		R	R	R	R
Stock Loans							
FBC Fidelity	05/7492000448	14.30%	05/10/2009	19 000 000	-	27 514	18 972 486
ABSA	4056847537	17.00%	31/12/2010	15 000 000	-	-	15 000 000
INCA/First Norm	STAN 000001	16.90%	30/06/2011	2 006 000	-	-	2 006 000
Total Stock Loans				**36 006 000**	**-**	**27 514**	**35 978 486**
Non Annuity Loans							
INCA	KWAD000001	16.00%	30/06/2011	19 000 000	**-**	**-**	19 000 000
INCA	KWAD000002	11.63%	30/06/2012	9 567 992	-	1 994 131	7 573 861
INCA	KWAD000003	11.63%	30/06/2012	679 148	-	141 320	537 828
INCA	KWAD000004	11.63%	30/06/2012	5 039 834	-	1 051 581	3 988 253
DBSA	101276	Base rate+2.7%	30/09/2025	25 609 689	9 519 558	1 674 782	33 454 466
Total Non Annuity Loans				**59 896 663**	**9 519 558**	**4 861 814**	**64 554 408**
Annuity Loans							
DBSA	10580/204	12.00%	30/09/2017	486 446	-	29 709	456 736
DBSA	11165/102	15.75%	30/09/2017	5 821 416	-	296 236	5 525 180
DBSA	13527/103	16.50%	30/09/2014	559 300	-	53 348	505 952
DBSA	11577/102	18.00%	30/12/2014	8 547	-	1 004	7 543
DBSA	9879/102	12.00%	30/06/2016	936 946	-	68 460	868 486
Total Annuity Loans				**7 812 655**	**-**	**448 757**	**7 363 897**
TOTAL EXTERNAL LOANS (KWADUKUZA MUNICIPALITY)				**103 715 318**	**9 519 558**	**5 338 085**	**107 896 791**

KWADAKUZA MUNICIPALITY
APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2009

	COST /REVALUATION							ACCUMULATED DEPRECIATION					
	Restated Opening Balance	Additons	Under Construction	Assets Donated	Disposals	Transfers	Closing Balance	Restated Opening Balance	Additons	Disposals	Impairment	Closing Balance	Carrying Value
Community Assets	27 010 495	21 736 162	-	-	(6 962 745)	2 923 543	44 707 456	9 835 996	710 797	(6 962 745)	197 739	3 781 787	40 925 669
Vehicles	35 102 862	1 696 820	-	-	(1 598 905)	-	35 200 777	7 132 355	4 272 373	(1 005 455)	-	10 399 273	24 801 504
Infastructure Roads	151 826 149	26 878 077	-	-	(460 837)	12 270 184	190 513 573	79 823 257	5 553 958	(38 148)	2 865 703	88 204 770	102 308 803
Infastructure Storm Water	107 100 785	4 276 567	-	-	-	-	111 377 352	17 291 395	3 573 246	-	-	20 864 640	90 512 712
Infastructure Electrical	274 781 371	19 735 359	-	30 256 762	(1 082 223)	10 506 467	334 197 737	98 626 708	9 530 335	(429 711)	776 103	108 503 435	225 694 302
Furniture and Fittings	10 507 839	10 328 337	-	-	(2 079 631)	-	18 756 546	4 265 854	2 970 317	(1 274 838)	-	5 961 333	12 795 213
Other Assets	16 150 764	5 745 750	-	-	-	-	21 896 514	3 363 754	715 711	-	324 600	4 404 065	17 492 449
Developed Land	27 218 900	-	-	-	-	-	27 218 900	110 077	66 437	-	227 866	404 379	26 814 521
Undeveloped Land	75 982 700	-	-	-	(113 000)	-	75 869 700	-	-	-	754 000	754 000	75 115 700
Housing	8 052 000	-	-	-	-	-	8 052 000	3 489 169	268 400	-	-	3 757 570	4 294 430
Assets under construction	26 354 242	-	1 060 627	-	-	(25 700 195)	1 714 674	-	-	-	-	-	1 714 674
Leased assets	1 059 056	71 991	-				1 131 046	623 394	216 128	-	-	839 522	291 524
	761 147 165	**90 469 063**	**1 060 627**	**30 256 762**	**(12 297 341)**	**-**	**870 636 275**	**224 561 958**	**27 877 702**	**(9 710 897)**	**5 146 011**	**247 874 774**	**622 761 501**

The appendix has been restated to accommodate the new categories of assets.
Due to the correction of prior year errors in note 36, the opening balances have been restated to fully comply with the disclosure requirements.

KWADAKUZA MUNICIPALITY
APPENDIX C : SEGMENTAL ANALYSIS OF PROERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2009

	COST / REVALUATION							ACCUMULATED DEPRECIATION				
	RESTATED OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION	ASSET FAIR VALUED	ASSETS DONATED	DISPOSALS	CLOSING BALANCE	REVISED OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
EXECUTIVE AND COUNCIL	10 287 582	1 907 455	1 060 627	2 012 802	-	(596 449)	14 672 017	2 613 562	1 818 468	(406 718)	4 025 312	10 646 705
PLANNING AND DEVELOPMENT	29 935 942	28 643 440	-	865 707	-	(356 690)	59 088 400	2 383 614	1 481 598	(223 107)	3 642 105	55 434 500
ROAD TRANSPORT	277 833 905	9 372 545	-	100 853	-	(729 843)	286 577 461	99 361 077	9 830 472	(307 154)	108 884 396	174 827 362
ELECTRICAL	295 881 438	22 057 064	-	547 496	30 256 762	(1 629 467)	347 113 292	99 964 601	10 566 604	(849 677)	109 681 527	236 655 663
HOUSING	8 142 340	23 412	-	61 230	-	(4 675)	8 222 307	3 529 537	294 566	(3 346)	3 820 757	4 401 550
OTHER	139 065 957	22 092 236	-	2 784 821	-	(8 980 217)	154 962 798	16 709 568	3 885 993	(7 920 895)	12 674 667	140 795 720
Grand Total	761 147 165	84 096 153	1 060 627	6 372 910	30 256 762	(12 297 341)	870 636 275	224 561 958	27 877 702	(9 710 897)	242 728 764	622 761 501

Due to the correction of prior year errors in note 36, the opening balances have been restated to fully comply with the disclosure requirements.

KWADUKUZA MUNICIPALITY
APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Revenue R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Revenue R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
(49 135 625)	3 755 089	45 380 536	Executive and Council	(48 783 750)	13 102 077	35 681 674
(166 711 148)	57 001 989	109 513 893	Finance and Administration	(196 517 966)	47 101 965	149 416 001
(5 613 254)	12 618 863	(6 332 425)	Planning and Development	(5 435 721)	18 527 770	(13 092 049)
(2 836 474)	8 082 330	(5 245 856)	Health	(4 066 165)	8 694 965	(4 628 800)
(5 465 200)	13 137 604	(7 854 834)	Community and Social Services	(5 892 187)	18 452 095	(12 559 907)
(1 933 046)	18 601 573	(15 822 111)	Housing	(2 222 445)	9 997 028	(7 774 583)
(3 429 231)	29 307 659	(25 878 428)	Public Safety	(2 727 136)	33 141 584	(30 414 448)
(4 621 057)	36 516 937	(31 895 880)	Sports and Recreation	(15 796 912)	32 345 050	(16 548 138)
(22 588 842)	25 442 669	(2 853 827)	Waste Management	(30 976 785)	35 252 641	(4 275 856)
(984 777)	21 711 174	(20 532 598)	Road Transport	(425 475)	29 884 381	(29 458 907)
(168 012 377)	161 264 881	7 124 103	Electricity	(263 927 483)	214 116 632	49 810 852
(431 331 031)	**387 440 768**	**45 602 573**	**Sub Total**	**(576 772 026)**	**460 616 188**	**116 155 838**
-	(26 754 434)	26 754 434	Less: Inter-Departmental	-	(25 907 336)	25 907 336
(431 331 031)	**360 686 334**	**(70 644 697)**	**Total**	**(576 772 026)**	**434 708 852**	**142 063 174**

KWADUKUZA MUNICIPALITY
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	Actual 2009	Budget 2009	Variance 2009	Variance 2009	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	(159 776 130)	(157 019 223)	(2 756 907)	1.76%	n/a
Property rates- penalties imposed and collection charges	(10 750 227)	(7 372 788)	(3 377 439)	45.81%	A number of residence chose not to pay their rates due to outstanding matters on their valuation appeals.
Service charges	(226 816 792)	(233 558 778)	6 741 987	-2.89%	n/a
Rental of facilities and equipment	(1 154 905)	(1 074 694)	(80 211)	7.46%	n/a
Interest earned- external investments	(18 464 780)	(13 676 000)	(4 788 780)	35.02%	More investments made than anticipated (R40 million). New investments made in second half of 2008/2009.
Interest earned- outstanding debtors	(2 555 290)	(2 052 000)	(503 290)	24.53%	A number of residence chose not to pay their rates due to outstanding matters on their valuation appeals.
Fines	(2 500 904)	(2 614 580)	113 676	-4.35%	n/a
Licences and permits	(5 353 158)	(5 287 270)	(65 888)	1.25%	n/a
Government grants and subsidies	(81 901 475)	(48 546 738)	(33 354 737)	68.71%	Represents conditional grants where conditions have been met and the amounts transferred to revenue.
Other income	(32 046 430)	(17 419 071)	(14 627 359)	83.97%	R13 million relates to the demand based component transferred to revenue and R1,893 million relates to non-standard service connects transferred to revenue.
Gain on disposal of property, plant and equipment	(383 842)	-	(383 842)	-100.00%	Cannot budget as disposals are only known during the financial year.
Revaluation of investment properties	(3 990 000)	-	(3 990 000)	-100.00%	Cannot budget as the valuer provides valuations at the end of the financial year.
Public donations	(30 256 762)	-	(30 256 762)	-100.00%	Not possible to budget for as the Muncipality was not sure when the project would have been completed.
Retirement and loing service benefits	(821 331)	-	(821 331)	-100.00%	Cannot budget as the figure represents a decrease in acturial valuations as per acturial report.
Total Revenue	**(576 772 026)**	**(488 621 142)**	**(88 150 884)**	**18.04%**	
EXPENDITURE					
Executive & Council	13 102 077	24 636 511	(11 534 434)	-46.82%	Savings on bad debt provisions, employee related costs, depreciation, SDF plans and the municipal business enhancement strategy.
Finance & Admin	47 101 965	74 369 851	(27 267 886)	-36.67%	Savings on salaries, valuations and valuation rolls, MFMA and Interdepartmental management.
Planning & Development	18 527 770	22 622 060	(4 094 290)	-18.10%	Savings on salaries, pension and travelling allowances.
Health	8 694 965	11 010 459	(2 315 494)	-21.03%	Savings on employee related costs.
Community & Social Services	18 452 095	23 066 569	(4 614 474)	-20.01%	Savings on employee related costs, depreciation and general expenses.
Housing	9 997 028	9 664 748	332 280	3.44%	n/a
Public Safety	33 141 584	40 835 149	(7 693 565)	-18.84%	Savings on depreciation, security services and processing of fines.
Sport & Recreation	32 345 050	29 408 679	2 936 371	9.98%	n/a
Waste Management	35 252 641	32 889 060	2 363 581	7.19%	n/a
Road Transport	29 884 381	25 413 515	4 470 866	17.59%	Increased expenditure due to asset scrapping loss and asset impairment loss not budgeted for. An increase in roads and stormwater maintenance and depreciation.
Electricity	214 116 632	229 615 606	(15 498 974)	-6.75%	n/a
Inter- departmental charges	(25 907 336)	(28 048 338)	2 141 002	-7.63%	n/a
Total Expenditure	**434 708 853**	**495 483 869**	**(60 775 016)**	**-12.27%**	
NET SURPLUS/ (DEFICIT) FOR THE YEAR	**(142 063 173)**	**6 862 727**	**(148 925 900)**	**-2170.07%**	

KWADAKUZA MUNICIPALITY
APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2009	2009	2009	2009	2009	Explanation of Significant Variances Greater than 5% versus Budget
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %	
EXECUTIVE AND COUNCIL	186 213	1 060 627	1 246 840	716 800	(530 040)	-74%	Part of the process of unbundling assets - in accordance with GRAP 17.
FINANCE & ADMIN	1 752 984	-	1 752 984	3 475 261	1 722 277	50%	Part of the process of unbundling assets - in accordance with GRAP 17.
PLANNING & DEVELOPMENT	27 597 463	-	27 597 463	48 160 786	20 563 324	43%	Part of the process of unbundling assets - in accordance with GRAP 17.
HEALTH	261 286	-	261 286	300 000	38 714	13%	Part of the process of unbundling assets - in accordance with GRAP 17.
COMMUNITY & SOCIAL SERVICES	18 589 653	-	18 589 653	6 571 400	(12 018 253)	-183%	Part of the process of unbundling assets - in accordance with GRAP 17.
HOUSING	23 412	-	23 412	25 000	1 588	6%	n/a
PUBLIC SAFETY	3 857 774	-	3 857 774	12 577 642	8 719 868	69%	Part of the process of unbundling assets - in accordance with GRAP 17.
ROADS & STORM WATER DRAINAGE	9 755 667	-	9 755 667	56 587 145	46 831 478	83%	Part of the process of unbundling assets - in accordance with GRAP 17.
ELECTRICITY	22 071 699	-	22 071 699	37 826 159	15 754 460	42%	Part of the process of unbundling assets - in accordance with GRAP 17.
	84 096 153	**1 060 627**	**85 156 779**	**166 240 193**	**81 083 414**	**49%**	

KWADUKUZA MUNICIPALITY
APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2008/2009

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2007/2008 financial statements	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2008/2009 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	10 730 459	8 047 844	17 707 323	-	36 485 626	9 121 406	9 121 406	9 121 407	9 121 407	36 485 626	-	NO	N/A	YES	N/A
MIG	DPLG	3 296 612	1 625 000	4 647 000	5 034 896	2 203 000	13 509 896	1 574 935	8 381 973	3 401 638	3 124 232	16 482 778	323 730	NO	N/A	YES	N/A
Provincial Health Subsidies	Provincial Health	(829 371)	-	-	-	4 620 322	4 620 322	-	-	-	4 109 256	4 109 256	(1 340 437)	NO	N/A	YES	N/A
DME	Dept Minerals & Energy	-	-	-	2 400 000	-	2 400 000	-	882 036	974 193	543 771	2 400 000	-	NO	N/A	YES	N/A
FMG	National Treasury	391 355	500 000	-	-	-	500 000	103 634	91 614	88 357	115 978	399 583	491 772	NO	N/A	YES	N/A
LUMS	LGTA	322 000	100 000	-	-	-	100 000	-	90 000	-	-	90 000	332 000	NO	N/A	YES	N/A
Admin Capacity	LGTA	100 000	-	-	-	-	-	-	-	-	-	-	100 000	NO	N/A	YES	N/A
New Library	Provincial Libraries	-	85 000	-	-	-	85 000	-	-	21 237	22 440	43 677	41 323	NO	N/A	YES	N/A
IMG	LGTA	40 000	-	-	-	-	-	-	-	-	-	-	40 000	NO	N/A	YES	N/A
Community Development Workers	LGTA	16 351	-	-	-	-	-	-	-	-	-	-	16 351	NO	N/A	YES	N/A
MSIG	LGTA	-	2 500 000	-	-	-	2 500 000	-	275 654	53 184	721 017	1 049 855	1 450 145	NO	N/A	YES	N/A
LED GRANT	LGTA	123 251	-	-	-	-	-	-	123 251	-	-	123 251	-	NO	N/A	YES	N/A
MUSEUM	Office Of the Premier	-	-	62 972	-	-	62 972	-	-	-	62 972	62 972	-	NO	N/A	YES	N/A
DBSA	Development Bank of South Africa	262 774	-	-	-	-	-	-	-	-	-	-	262 774	NO	N/A	YES	N/A
Property Rates Implementation	Ilembe District Municipality	133 000	-	-	-	-	-	-	-	-	-	-	133 000	NO	N/A	YES	N/A
DPT SPORT	Department of Sports & recreation	325 000	-	-	791 700	-	791 700	-	-	679 645	437 055	1 116 700	-	NO	N/A	YES	N/A
CBD REVITALIZATION	DPLG	1 000 000	-	-	-	-	-	232 905	271 652	241 824	124 386	870 767	129 233	NO	N/A	YES	N/A
AGRICULTURAL	Provincial Dept. of Agriculture	3 731	-	2 039	-	-	2 039	-	-	-	-	-	5 770	NO	N/A	YES	N/A
KING SHAKA	Ilembe District Municipality	338 190	-	-	-	1 550 279	1 550 279	193 378	49 916	-	142 529	385 823	1 502 646	NO	N/A	YES	N/A
MAP	DPLG	2 000 000	1 000 000	-	-	-	1 000 000	-	226 199	-	568 442	794 641	2 205 359	NO	N/A	YES	N/A
Disaster rough seas	LGTA	(1 784 315)	2 032 799	-	7 342 343	6 924 059	16 299 201	971 067	4 257 618	2 794 128	7 423 544	15 446 357	(931 471)	NO	N/A	YES	N/A
RDP HOUSING	Department Of Housing	(1 893 175)	-	-	-	-	-	-	-	-	1 576 500	1 576 500	(3 469 675)	NO	N/A	YES	N/A
Ramasar Relief Fund	Public	-	48 189	443	-	-	48 632	6 000	2 189	-	2 500	10 689	37 943	NO	N/A	YES	N/A
Disaster Relief fund-storm 28.02.09		-	-	-	2 150	-	2 150	-	-	-	-	-	2 150	NO	N/A	YES	N/A
DPT: Agriculture	Department of Agriculture	-	-	-	-	100 000	100 000	-	-	-	-	-	100 000	NO	N/A	YES	N/A
HEALTH: SAPPI	SAPPI	-	-	-	-	50 000	50 000	-	-	-	25 850	25 850	24 150	NO	N/A	YES	N/A
DBSA - SEA	DBSA	-	407 151	-	-	-	407 151	407 151	-	-	-	407 151	-	NO	N/A	YES	N/A
DBSA - Housing Summit	DBSA	-	20 000	-	-	-	20 000	20 000	-	-	-	20 000	-	NO	N/A	YES	N/A
		3 845 403	**19 048 598**	**12 760 298**	**33 278 412**	**15 447 660**	**80 534 968**	**12 630 476**	**23 773 508**	**17 375 613**	**28 121 879**	**81 901 476**	**1 456 763**				
							80 534 968					**81 901 476**					

Reflected as other debtors - Note 17	**4 506 871**	Reflected as other debtors - claims submitted awaiting settlement - Note 17	**5 741 583**
Unspent grants at 30 June 2008 - Note 8	**8 352 274**	Unspent grants at 30 June 2009 - Note 8	**7 198 346**